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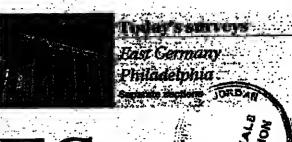
The US debate over contaminated land



Freedom undermined Britain's phobia over immigration



making decisions



FINANCIAL TIMES

Children and Red Cross staff die in **Rwanda massacre**

Europe's Business Newspape

Twenty-one children and 13 Red Cross volunteers were killed in an attack on an orphanage at Butare, southern Rwanda, the International Committee of the Red Cross said yesterday. The children had been moved from the capital Kigali because it was believed they would be safer at the orphanage. United Nations officials and the Red Cross say more than 100,000 people have been massacred in Rwanda since the tribal killings began four weeks ago. US steps up peace efforts, Page 7

Russia fails to meet IMF conditions: Russia said it could not fulfil International Monetary Fund conditions agreed when Moscow receiv a \$1.5bn loan in March and that higher inflation was the only way to save the Russian economy.

New York post for British editor



Andrew Neil (left). editor of UK newspaper The Sunday Times, which is owned by Rupert Murdoch, is New York for seven mooths to launch a current affairs pro-US television network. If the show, which is designed to rival

CBS's 60 Minutes, is a success, Mr Neil is likely to sign a two or three year multi-million dollar

India postpones VSNL issue: The Indian government postponed a \$1bn international equity issue by Videsb Sanchar Nigam, the state-controlled international telecommunications monopoly, after fund managers baulked at the high price.

Hyundai head to retire: Chung Ju-yung, founder and honorary chairman of the Hyundai conglomerate, is to retire from the management of South Korea's largest business group. Page 18

CD sales near level for cassettes: International unit sales of compact discs rose by 19.4 per ceot last year to 1.39bn. Sales of audio cassettes feli 2 per ceot to 1.44bn, raising the prospect that the CD will replace the cassette as the world's principal music carrier. Page 5

EU tackles video camera imports: The European Union has imposed definitive antidumping duties of as much as 96.8 per cent on Imports of studio video cameras made by five Japanese electronics companies. Page 5

Stora back in the black: Stora, Europe's biggest pulp and paper group, made a strong return to profit in the first quarter after benefiting from increased demand, cost cutting and big capital gains. Page 19

Pressure on margins hits Pepkor: Heavy pressure on operating margins meant that Pepkor, South Africa's biggest retail group, increased annual operating profit by only 3 per cent to R275m

BHP facea New Guinea suit: Papua New Guinea villagers are to file a A\$4bn (US\$2.8bn) suit against Australia's Broken Hill Proprietary alleging environmental damage caused by the Ok Tedi copper mine in western PNG, which BHP manages, Page 6

González digs In: Embattled Spanish prime minister Felipe González refused to take the blame for corruption scandals involving former members of his administration. An aide said Mr González had "absolutely no intention of resigning". Page 2

Marzotto slips 74%: Italian clothing and textile group Marzotto reported a 74 per cent decline in net earnings to L10.2bn (\$6m) because of a slump in demand on the world clothing market.

Bangladesh cyclone kills 110: A cyclone that devastated south-east Bangladesb killed at least 110 people. More than 5,000 others were injured and at least 500,000 left homeless.

H.J. Heinz, the international food group, has asked us to clarify remarks by Mr Tony O'Reilly, its chief executive, on the company's television advertising plans in the UK. The company confirmed yesterday that it will stop advertising its main products on television in the UK and concentrate on direct marketing. It will however continue to advertise the Heinz name on British television, with spending likely to remain at its present level - an estimated £12m (\$17.5m) a

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Anomalies slow S Africa poll count

Waldmeir and Mark Suzman

South Africa's electoral machinery ground to a temporary halt last night as officials

fought to reconcile anomalies

and irregularities in voting

returns the day after President F. W. da Klerk conceded defeat to

Mr Nelson Mandela's African National Congress. Counting was understood to have been completed in most areas, but the release of results was halted by the Independent Electoral Commission (IEC), the body charged with couducting elections and certifying the poll-The delay forced the postponement until Monday of the first session of the national assembly, which was to have been convened on Friday.
Officials privataly acknowledged that the exercise amounted to an attempt to determine an outcome that would be broadly

acceptable to the three main political parties. This involves decisions on how disputed ballots are to be counted. Under the electoral act, political parties may agree among themselves on how to resolve anomalies and discrepancies in the vote, if necessary by amending party totals.

Mr Mandela, due to be nomi-nated the next president, beld talks during the day with Mr de Klerk on both the practicalities of the handover and widespread concerns about the integrity of the voting procedures and the

Officials on both sides privately expressed concern that both the momentum of the transition be maintained and the broad integrity of the result be accepted. Officials of the longruling National party, who during the day mat Mr Justice Johann Kriegier, IEC chairman,

They spoke of "two psychologi-cal thresholds" which, if crossed, could strain the transition and

the authority of the yet to be appointed government of national unity. If, under such disputed conditions, the ANC were to achieve more than 66 per cent of votes cast, allowing it to control the process determining the final shape of the country's constitution, and the National party support fell below 20 per cent, there would be serious reserva-

privately expressed concern at the trend in the results.

Latest national results, based on half the estimated votes cast, on half the estimated votes cast, show the ANC holding steady at 62.5 per cent of the vote and the share of the National party fall-

ing slightly to 22.1 per cent. Government officials added a third consideration: if Chief Mangosuthn Buthelezi's Inkatha Freedom party gets a substantial majority in his Natal heartland, the ANC may challenge the result. A senior ANC leader in the province last night gave notice of a possible dispute by saying that the lead was "not a access restrictions; Western Cape

Delay forces postponement of national assembly session larity", while Chief Buthelezi continued to reserve his position the results were known.

Results in Natal left Inkatha with more than half the vote, but these were based on returns from the north of the province where the IFP is strongest.

In the Western Cape province, won by the National party, Mr Hernus Kriel, who will become regional premier, said: 'This is not a time to gloat, but a time to be grateful. We commit ourselves to a policy of reconciliation, and that begins today."

Nervous Jericho prepares to greet self-rule

By Julian Ozanne in Jericho

Palestinian schoolchildren armed with brooms began collecting rabbish from the dusty streets of Jericho yesterday to celebrate today's planned sign-ing of the Palestinian self-rule

Under the agreement, Jericho, a sleepy, palm-fringed town which claims to be the oldest city in the world, will become the seat of the Palestinian administratioo and the home to Mr Yassir Arafat, the symbol of Palestinian nationalism.

At the Israeli police post in the heart of the city, once the target Palestinian resistance, school children collected stones from under coils of razor wire. Nervous Israeli soldiers armed with automatic rifles watched from observation towers. But instead of throwing the stones, the children carted them away to a nearby rubbish tip.
At a schoolteacher's bouse,

youths were busy preparing banners which read: "Sonth Africa last week - Palestine today."
Flags and bunting in the black. red, green and white Palestinian colours were to be draped throughoot the oasis town which could become a Palestinian gateway to the Arab world.

Many of Jericho's 14,000 residents believe they are about to witness a fundamental turning point in their lives after 27 years



Israeli foreign minister Shimon Peres (top) and prime minister Yitzhak Rabin with his wife Leah arrive at Cairo airport

of Israeli occupation and centuries of foreign domination. Within 21 days of today's signing. Israeli troops are scheduled to complete their withdrawal from the Gaza Strip and Jericho - the first Israeli surrender of Palestinian lands occupled in the

and the Palestinian police arrive It will be the beginning of our liberation. The beginning of the liberation of Palestine," said Mr

Continued on Page 18 Last-minute row hits Gaza pact

SmithKline pays \$2.3bn for US drug wholesaler

By Tony Jackson and Daniel Green

SmithKline Beecham launched a further European assault on the troubled US drugs industry yesterday, offering \$2.3bn for Diversified Pharmaceuticals Services. In a separate move, Eastman Kodak of the US is to sell its pharmaceutical division, valued at well over \$5bn, possibly to its

French partner Elf Sanofi. Together with Monday's \$5.3bn sale of the US drug group Syntex to Roche of Switzerland, this brings the total of US bealthcare assets changing hands this week to more than \$12bn. The moves are in response to acute pressure on the US healthcare industry, partly caused by the Clinton administration's attempts to cootain costs.
European companies are

increasingly seeking bargains in troubled sectors of the US economy. Last week the UK-tobacco giant BAT Industries paid \$1bn for American Tobacco, in an industry also under pressure from the Clinton administration. SmithKline Beecham is paying \$2.3bn in cash for Diversified Pharmaceutical Services, one of

the four largest drug wholesalers in the US. The deal mirrors Merck's \$6.7bm acquisition of the leading drug wholesaler Medco last year, which sent shock waves through the US drug industry Like Medco, Diversified Pharmaceutical is a so-called pharmaceutical benefit manage-

ent company, seeking to obtain before the expiry of the US bulk discounts from the drug companies on behalf of a claimed 11m patients

SmithKline Beecham's chief executive Mr Jan Leschly, who recently described the Merck deal as "a stroke of genius", said: "We must evolve from a pharmaceuticals manufacturer selling pills to

Remedies for a global sickness Page 16 Kodak to return to core with ---Page 19 Eastman Kodak prepares for a new imagePage.21

managing total pharmaceutical care. We could not do it without going through this important

He said the deal marked a transition in the company's strategy that reflected the change in the business environment in the US. Rather than simply selling discham would use economic data gathered from the millions of patients and potential patients on Diversified's books to "manage

SmithKline is the UK's second biggest drug company after Glaxo. The deal will not increase its drug sales directly, but aims to use Diversified to promote its products to drug buyers in prefer-

ence to rival drugs.

treatment Tagamet, once the company's biggest product and the world's largest selling drug.

United Healthcare, owners of Diversified Pharmaceutical, said it had been approached by a number of companies since the Medco deal took place teu

Mr Hugh Collum, SmithKline Beecham's finance director, said the deal was likely to reduce earnings by less than 3 per cent this year and next. The price is equivalent to almost 60 times Diversified's operating profits last year. However, Mr Collum said the purchase was justified

by the rapid growth prospects. Although Eastman Kodak did not name a firm buyer for its healthcare business. Elf Sanofi has first refusal on parts of it through joint ventures with the rop, bought for \$5.1bn in 1988 in an auction against Rocbe. Elf Sanofi said yesterday the Kodak nity to go the final stage in merging the two businesses that it was considering the sale of assets to finance a possible

Kodak's share price rose \$2% to \$46% in early trading, as the market welcomed its moves to reduce its heavy debt burden. Elf Sanofi's fell FFr43 (\$7.37) to FFr975. Smithkline Beecham's share The deal comes a fortnight price rose 26p to 416p (\$6.07).

Dutch ruling coalition faces losing majority in elections

By Ronald van de Kro

The Netherlands' two ruling parties, the centrist Christian Democrats (CDA) and Labour. look set to lose their majority in parliament after yesterday's national elections, bolding out the prospect of a three-party coalition for the first time since

Two smaller parties which exit polls indicated had made strong gains would play a crucial role in any coalition negotiations that he ahead. The rightwing Liberals are projected to have gained eight seats for a total of 30, while D66, a left-of-centre party, is forecast to win 24 seats, double its number in 1989.

These four main parties share a broad consensus on economic, monetary and foreign pollcy issues. Where they differ most is on the vexed question of social security and bow to continue paying for it at a time of rising unemployment and the ageing of the population.

The two most likely coalitions are Labour, CDA and D66, or a right-left alliance of Labour, Liberals and Dee, which would sbut

The Dutch government said last. night that it will formally put forward Mr Ruud Lubbers, the prime minister, as a candidate to succeed Mr Jacques Delors as president of the European Commission, writes Ronald van de

The confirmation of Mr Lubbers' bid for the post was made minutes after polling booths closed in the Netherlands' general election

Mr Lubbers said five years ago that he planued to leave national ent after the 1994 election, but refused to be drawn on his European ambitions until the election campaign ended.

the CDA out of power for the first time since 1918. The CDA of prime minister

Ruud Lubbers had been trailing Labour in the opinion polls but regained ground in the last few days before the election. It won two seats less than Labour, which won 36, according to exit polls and preliminary projections by Dutch television. Both parties fell back sharply

from the last general election in

1989, when the CDA won 54 seats

a governing majority in the 150-seat lower house of parliament. The loss of support for tha CDA, the linchpin of every gov-ernment since the second world war, was caused mainly by the impending departure from national politics of Mr Lubbers. the Netherlands' longest-serving prime minister. His successor, Mr Elco Brinkman, did not have the

Coalition talks could take eks or months, and it is possible that a new government will mer. The close finish between CDA and Labour means that both parties will be in the running to provide the next prime minister. Labour's candida the job is the current finance minister, Mr Wim Kok.

Last night's results also showed a rapid evaporation of support for the far-right Centrum Democraten (CD). The CD won three seats compared with one seat in 1989, but some opinion polls before the election had pre dicted as many as eight.

Two new parties representing pensioners won a total of eight

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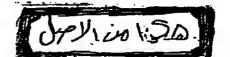
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LONDON . PARIS . FRANKFURT - NEW YORK - TOKYO

PM 'will not resign' over corruption scandals

González digs in his heels

By Tom Burns in Madrid

Spain's embattled prime minister, Mr Felipe González, is determined to beat off calls to take the blame for growing corruption scandals involving former leading members of his administration.

A senior aide said yesterday Mr González had "absolutely no intention of resigning". Mr Miguel Gil, the government's spokesman, said political stability was assured because the Catalan nationalists had agreed to continue backing the government. "Their support is

ment have now become the power brokers of domestic politics after their vote ensured Mr González's nomination as prime minister following last June's general elections, which left his Socialist party short of an overall majority,

The assurance of continued Catalan support was given on Monday by Mr Jordi Pujol, leader of Catalonia's home rule government, the Generalitat, in a telephone conversation with Mr González. Mr Pujol reiterated his decision to aid the "governability of Spain" at not in danger," he said. a later meeting in Burcelona
The 17 Catalan oationalist with Mr Narcis Serra, the Cata-

ter. A former mayor of Barcelona, Mr Serra would be the politician most likely to succeed Mr González should the premier resign.

The Catalan leader's stand may have gained Mr González a breathing space in which he will seek to regain the political initiative in the face of continuing pressure from the main opposition party, the conservative Partido Popular.

Conservative leader Mr José Maria Aznar told the FT that Mr González had "become an obstacle in Spanish politics, an obstacle we have to overcome". Mr Aznar believes the govern-

members of the Madrid parlia- lan-born deputy prime minis- ment has been so discredited by the spate of scandals that Mr González's position is unsustainable. It is not reasonable to ask now for new elections....but I can envisage the prime minister will [first] hand over power to somebody

> Unable to unseat Mr González in a parliamentary censure motion, Mr Aznar is pinning his hopes on next month's European elections when he expects that a clear conservative triumph "will accelerate developments". He forecasts that general elections in Spain will take place between the



Civil Guard on trail of its fugitive former chief

By David White in Madrid

The young man on duty ontside the Civil Guard beadquarters in Madrid fingered his automatic weapon and laughed nervously. No, the force would not be affected. But it was still "a hlemish". People did not like it.

The "blemish" is the extraordinary story of Mr Luis Roldan, six months ago the Guard's chief, now a fugitive wanted for questioning and bunted hy the paramilitary police be used to

Mr Roldán, 51, who managed to property purchases and a jet-setting mentary committee) walk out with

man who got the job Instead, Mr Antoni Asunción, handed in his resignation at the weekend over Mr Roldán's embarrassing disappearance, becoming the first senior victim of Spain's current scandals. Opposition politicians are now baying for more blood, including that of Mr Felipe González, prime miniater, who

appointed Mr Roldán. The headquarters building was where Mr Roldán's business partner, Mr Jorge Esparza, would (according combine the post with extensive to the latter's evidence to a parlia-

lifestyle, was last year tipped as a briefcases stuffed with money on his candidate for interior minister. The way to a bank. Mr Esparza said he did way to a bank. Mr Esparza said he did not know where the cash came from. A Civil Guard general told the committee Mr Roldán would choose contractors for new barracks after calling them into his office. Mr Roldán

has denied taking commissions. Controversy also surrounds the use of "reserved funds", alleged to have been used to provide pay bonuses. Mr Roldan, who denies using these funds, has said the records have routinely been destroyed.

While in his post, Mr Roldán bought houses and other properties, mostly through a company called Europe Capital. He and Mr Esparza also travelled extensively. In ona instance, confirmed by Mr Roldán, an official chauffeur drove his car to Switzerland for the use of his wife, who had travelled there by atr. The Civil Guard has not made such

headlines since Lientenant Colonel Antonio Tejero held up parliament at

The latest publicity has spoilt the forthcoming 150th anniversary of the 75,000-strong force, which polices the Spanish countryside and roads, protects official buildings and which has borne the brunt of Basque terrorism. The force's shiny black tricorn hats

Mr Roldán, a Socialist party mem-

have given way to green cloth caps, softening the image of what the poet Lorca called "those patent-leather men with their patent-leather souls".

ber until his recent expulsion, was the first civilian to head the force. For an administration already hit by allegations against a former Bank of Spain governor, the controversy has eclipsed all other affairs of govern-ment. Interviewed in biding by the daily El Mondo. Mr Roldán said there were similar irregularities elsewhere in the Interior Ministry and other departments. "If I go to prison, I could easily not go alone.

Yeltsin aide wants pledges to the IMF relaxed

By John Llayd in Moscow

President Boris Yeltsin's chief aide on the economy said yes-terday that Russia could not fulfil International Monetary Fund conditions agreed for a \$1.5hn (£1.02hn) loan in March and that higher inflation was the only way to save the Rus-

sian economy from collapse. Mr Alexander Livshits, who heads the group of economists on whom the Russian president relies for much of his advice, sald in an interview that the reduction in inflation to between 7 and 8 per cent a month had been achieved too soon. "It is one thing to have it as a target for December, but to bave it in March-April is

destroying our economy."

The IMF agreed the systemic transformation facility on condition that the government increased revenues this year and kept expenditure at a target of Rhs183,000bn (£65.8hn). But Mr Livshits said the bulk of expenditure had been

absorbed by the energy andagricultural sectors, "the two most powerful lobbies in this country by far," and the rest was grossly inadequate for the needs of the economy.

"The IMF must learn the reality of the situation and see what is happening," he said.

"You can of course continue with the policy of tight money. but it will mean that industry collapses. The policy must be loosened.

Mr Livshits, a former economics professor, said the government of Mr Victor Chernomyrdin appeared to lack the political will to undertake economic reforms or Industrial restructuring beyond tightly controlling credit and money supply. He agreed the political impetus should come from Mr Yeltsin, but said: "We have a separation of powers here and the president doesn't want to issue orders - do this or do that in the economy."

around 25 per cent in the first quarter of this year continued in April, he said. The fall in production last month was 29 per cent, compared to 28 per cent in March, "April is usually not a bad month for production because there are no bolidays, but May is bad (there are three days of public holidays and many take more] and so we can expect terrible fig-ures for this month."

Mr Livshits admitted the official statistics for the economy were unreliable because they omitted or under-counted the private sector. But they gave an indication of what was hap-

Steep falls in production of pening in the state sector where, he said, "factories are fust at a standstill".

Even in growing industries such as consumer electronics and white goods, production has plummeted this year, he said. Part of the problem was the huge level of inter-enterprise debts and the refusal of most concerns to supply parts or goods without pre-payment.

Mr Livshits called for a series of reforms to break up state enterprises and to end supply monopolies. He also proposed creation of a new commission, headed by a first deputy prime minister, to deal with strategic economic issues

paralleling the work of Mr Oleg Soskovets, at present the only first deputy premier, who heads a committee on operational issues. "If we had had such a commission, we wouldn't have had the budget we now have."

The struggle over the budget has only just begun. It has been passed "in principle" by parliament, which is still demanding fundamental changes, including an increase in expenditure of the kind Mr Livshits is proposing. But he said the budget might yet be passed because the powerful agrarian lobby was satisfied with the support it gave.

Bosnian Serbs test patience of Milosevic

By Laura Silber in Belgrade

Calls for peace and accusations of corruption against Bosnian Serb leaders in the Serbian media are fuelling speculation that President Slobodan Milosevic could turn against nationalists insisting on a Greater Serbia at any price. Mr Milosevic's opposition to

the politics of the Bosnian Serb leadership has been signalled by his wife, Mrs Mirjana Markovic, whose remarks have tended to foreshadow the next move by the Serbian president. The representatives of those Serbs who are mostly outside of Serbia and think war is their

only option... have no right to foist that option on all Serbs," she wrote last week in tha popular magazine Du "I am afraid that the Serbian

people...are at the point when they must become pacifists, if they want to survive," she added, making the point that Serbs from Serbia should define national politics.

Television, tightly controlled by Mr Milosevic, last week repeatedly warned Bosnian Serb leaders that war should not be their only option.

Implicit criticisms of their belligerent stance were accompanied by stinging accusations that Bosnian Serb leaders and their influential Belgrade mentors were involved in the huge financial scandal surrounding Dafiment bank, once vaunted at the biggest private bank in the Balkans. Mrs Dafina Milanovic, owner of the bankrupt institution, has made an Impromptu" revelation that even Mr Radovan Karadzic, Bosnian Serb chief, himself carried sacks of cash out of the bank, which owes Serbia's citizens hundreds of millions of

dollars. Such indictments of Mr Karadzic and the Bosnian Serb nationalists are being interpreted as feelers for the famously close Mr Milosevic to change allegiances.

But Mr Milosevic who rode to power on the mighty waves of Serbian nationalism may find it dangerous to separate

his future from theirs.

In spite of three years of war in neighbouring Bosnia and Croatia, economic deprivation and political isolation, recent opinion polls reflect that most of Belgrade still supports the Bosnian Serb leadership. More than 51 per cent believe Serba should keep the 70 per cent of Bosnia they currently control, according to one poll.

An overwhelming majority back the unification of Bel grade with Serb-held lands in Bosnia and Croatia. However, the pragmatic Mr Milosevic may now be calling for some-

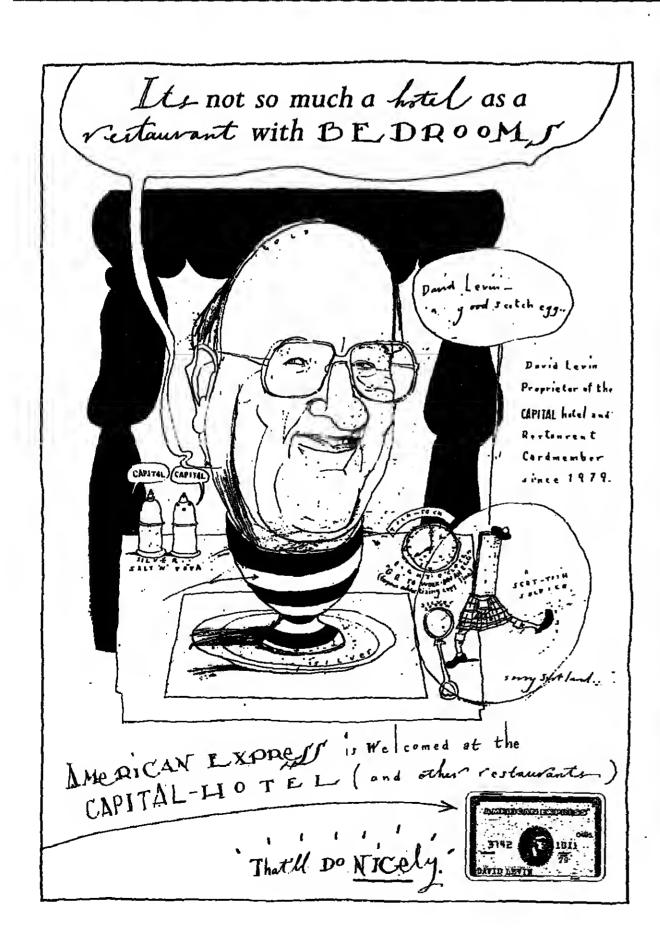
His foreign minister. Mr Vladislav Jovanovic, in a weekend interview, sent a mes to the US that the "only realistic solution for Bosnia-Hercegovina is the creation of a wider state which would include

Serbs and Croats". This proposal to create a new Yugoslavia" will set Mr Milosevic on a collision course with Serb nationalists who insist on ethnic partition and the creation of Greater Serbia.

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Kingdom of Saudi Arabia Ministry of Petroleum and Mineral Resources Directorate General of Mineral Resources

INVITATION FOR PREQUALIFICATION AL JALAMID PHOSPHATE PROJECT

The Government of the Kingdom of Saudi Arabia represented by the Directorate General of Mineral Resources (DGMR) of the Ministry of Petroleum and Mineral Resources invites applications from established companies with mining and processing experience to prequalify for the exploitation of Al Jalamid Phosphate rock deposit, 120 km from the town of Turayfin Northern Saudi Arabia.

A bankable feasibility study of Al Jalamid phosphate project has been completed by Jacobs International, Inc. under the direction of the United States Geological Survey (USGS) on behalf of the DGMR. Following extensive testwork and technical feasibility studies, it has been established that the deposits contain proven reserves of 213 million tonnes of ore averaging 21% P2O5.

A preliminary information package which includes the Executive Summary of the Feasibility Study, the Mining Code and Regulations and the Prequalification Document can be obtained from the DGMR Office in Jeddah upon payment of SR 5,000.00 or US\$ 1,334.00 either in the form of a certified cheque or bank draft drawn in the name of the "Directorate General of Mineral Resources." Saudi or foreign companies may apply individually or in conjunction with a group of companies. Firms or consortia selected will be requested to submit technical and economic proposals and a completed application form for a mining lease in accordance with the Mining Code and Regulations of the Kingdom of Saudi Arabia.

THE PROJECT

Mining will be by conventional open pif methods.

Beneficiation is achieved by the Ilotation process for the production of 4.5 million tonnes per year of phosphate concentrate. The Al Jalamid concentrate is a high quality product at 32.5% P2O5 with MgO less than 0.4% and a CaO to P2O5 ratio of 1.57.

The concentrate will be transported via a slurry pipeline to the fertilizer plants at Al Jubail for conversion into a high analysis fertilizer, diammonium phosphate (DAP) at the rate of 2.9 million tonnes per year containing 18% nitrogen and 46% phosphate for sale in international

Total project investment is estimated at US\$ 1,738 million composed of US\$ 147 million for mining and beneficiation, US\$ 877 million for the fertilizer facilities and US\$ 714 million for associated infrastructure.

Receipt of enquiries from firms manifesting interest will be accepted until 20 Muhamam 1415H (corresponding to 29 June 1994) at DGMR Headquarters at the address listed below.

Deputy Minister for Mineral Resources Directorate General of Mineral Resources P.O. Box 345, Jeddah 21191 Kingdom of Saudi Arabia Fax: (966-2) 667-2265, Tlx: 601157 DGMR SJ

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EUROPEAN NEWS DIGEST

Ekostahl sale under threat

IG Metall, Germany's engineering union, and Riva, the Italian owned private sizel company, are locked in an eleventh-hour dispute which could disrupt the privatisation of Ekostahl, eastern Germany's largest steel mill. The dispute centres on the composition of Ekostahl's supervisory board after privatisation. The purchase contract, scheduled for sign ing last Monday, was postponed after the union and the family-owned Italian company failed to reach a compromise. Tha 11-strong eupervisory board will be equally divided between IG Metali and Riva, with the remaining member holding a neutral position. However, according to union officials, Riva opposes IG Metall's nomination of Mr Hans Apel, a social democrat and former federal finance and defence minis-

The dispute has astomished officials principally because it took the Treuhand privatisation agency more than two years to find a buyer, and protracted negotiations with the European Commission, to back a DM1.1bn (£440m) restructuring programme which Riva will undertake. Judy Dempsey, Berlin

Progress in EU-Russia accord

The European Commission yesterday raised hopes that agree ment over a trade and co-operation accord between the European Union and Bussia could be reached in tima for signing at the Corfu summit next month. A Commission spokesman said "excellent progress" had been made by Sir Leon Brittan, European commissioner responsible for external economic relations, and Mr Alexander Shokin, the Russian deputy mime minister, who met earlier this week to discuss the two remaining obstacles to the accord - the rules governing the trade in uranium and access for European banks to the Russian banking sector. However, he cautioned that the accord still needed to be approved by member states. France, in particular, is keen to protect its uranium producers. Mr Shokin and Sir Leon agreed to work on an exchange of letters which could pave the way for a compromise. Emmo Tucker, Brussels

Italian prices edge upward

Italian consumer prices grew 0.3 per cent in April giving an annualised inflation rate of 4.1 per cent. The monthly rate was marginally up on March largely due to a rise in cigarette prices. But so far this year the biggest single rises have been in housing and health. The rise in housing costs in particular has almost doubled the index average. The prospective rate for the year as a whole is now running at 4 per cent against 4.2 per cent for 1993. The outgoing government hoped to have a year end inflation rate running at an annualised 3.5 per cent. Economists indicated vesterday that the new government would inherit inflation rates still relatively high by EU standards and this made cautious management of Italy's timid recovery essential. Robert Graham, Rome . . .

US union cash for Poland

Poland Partners, a new \$65m (£44m) venture capital fund, backed by a US government agency and created to boost the private sector in Poland, will include five pension funds from US trade amions. Although the unions have been generally hostile towards overseas investment, US labour rallied around Poland's Solidarity movement during its days underground, and the relationship is still close, according to Mr Bob Kalaski, director of communications for the machinists' union.

The concept for Poland Partners originated after a speech in 1990 to US amious by President Leich Walesa and the fund has been strongly supported by the Overseas Private Investment Corporation, the US government agency. Opic has already backed 22 yentures in Poland involving US companies with \$400m in financing and risk insurance, and \$1.2bm in financing in the former eastern bloc. For this fund it will provide up to \$39m in investment guarantees. The fund will be managed by the Poland Partners Management Company, which is owned by California-based Avalon Ventures, Company Assistance Ltd of Warsaw and Landon Butler & Co of Washington. Nancy

Greek ex-king fights seizure

Former King Constantine of Greece said yesterday he would launch a legal battle against the Greek government's decision to seize his property and strip his family of their passports. "I will certainly claim my property with all legal means provided by the [Greek] constitution and laws," he said in an interview with the Athens newspaper Apogevmantini. Last month the Greek parliament approved a bill giving the state control of Constantine's Mon Repos estate on the island of Corfu, a summer palace in Tatol north of Athens, and hundreds of acres in Polydendri in central Greece Most other property owned by the former royals before they fled Greece had been given to the state to cover unpaid taxes. Reuter, Athens

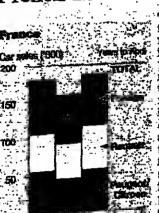
Nagorno-Karabakh toll rises

The International Committee of the Red Cross yesterday said that recent fighting between Armenia and Azerbatjan over the disputed enclave of Nagorno-Karabakh had caused hundreds of casualties and 50,000 people to flee their homes. ICRC spokesman Pierre Gauthier said most of the dead and wounded were soldiers. The agency was awaiting word from staff on the front line on exact numbers.

The ICRC said it had sent tents, foods and medicines to the area but was stretched by the shear numbers of people who had fled their homes in Azerbaijan over the past three weeks Before the latest exodus there were about 600,000 displaced people in Azerbaijan as a result of the six-year civil war. In a statement, the ICRC said it was "seriously concerned about the serious turn of events in the northern and eastern fronts in the Nagorno-Karabakh conflict". Nagorno-Karabakh is populated mostly by ethnic Armenians. AP, Geneva

ECONOMIC WATCH

French new car sales accelerate



The recovery in new car sales in France accelerated last month with a 172 per cent increase year-on-year to 184,900, according to preliminary figures from the indus-try. Sales in the first four months were 13.8 per cent higher at 638,300 than in the corresponding period a year ago. The French motor industry has revised upwards its forecast for west European seles this year to 11.79m, an increase of 3 per cent compared with its previous forecast for a rise of only 0.8 per cent. Peugeot Citroen and Soleta SSMT Year to April Renault both gained ground in their domestic market in April with year on year increases

of 22.6 per cent and 27 per cent respectively and a combined rise in domestic market share to 63.6 per cent. Kevin Done, Motor Industry Correspondent West German industrial output fell in March by 0.8 per cent, adjusted for price and season, from a revised February figure. It also declined by 0.8 per cent from March 1998, according to a preliminary report by the Economics Ministry. The ministry

had revised the industrial output index for February to 111.5 from a preliminary 111.4 Retail seles in Switzerland rose an inflation adjusted 88 per cent in March year-on-year compared with 3.1 per cent the month before, the federal statistics office said yesterday. France's official reserves of gold and foreign currencies rose by FFr1.460m (£170m) in March to FFr317.84bn, according to

Left thrives in Hungary's disenchanted soil

he left, fresh from elec-toral success in Lithuania, Poland, Russia and Ukraine, is poised for a comeback in Hungary's parliamentary elections next Sunday. Voters, disillusioned with four years of a conservative coalition led by the Hungarian Democratic Forum, are turning

to the former communists of

the Hungarian Socialist party. The Socialists, who scored just 11 per cent in the 1990 national vote, have surged to well over 30 per cent in latest opinion surveys. "I did believe the pendulum would swing back. I did not believe that it could swing back so far," says Mr Viktor Polgar, head of the Socialists' Budapest campaign.
The Socialist party is the

successor to the communist regime that ruled Hungary, often brutally, for 40 years. Mr Gyula Horn, the 61-year-old Socialist leader, went to college in the Soviet Union and joined the "padded coats," the volunteers who helped put down the 1956 uprising against communist rule.

Government television has taken a literal approach to the search for skeletons in the Socialists' cupboard. One TV documentary covered tha search for prison cells, torture chambers and bones beneath Socialist party headquarters in Budapest. Another broadcast an account of Mr Horn kicking in the teeth of a "counter-revolutionary" prisoner.

Rise of the Hungarian socialists of Young

% of the vote in 1990 % of votes in latest poll, April 1994 20%:...

But the TV campaign against the Socialists, so close to the vote and so reliant on unsubstantiated accusation, has lacked credibility. "The attacks actually help us," Mr Andras Bard, Socialist spokesman, the socialist camp". admits cheerfully.

In any case, many Hungarians are inclined to forgive and forget. "People change," shrugs Eva, a Forum voter in 1990 and a Socialist supporter now. Horn the young communist

became Horn the reformist foreign minister of the last communist government, who let East German "tourists" out through Hungary to the west and so belped bring down the Berlin wall.

A despairing conservative official asks: "Do people forget

so quickly?" Yes, the bad things, at any rate. Voters associate the left less with the horrors of the 1950s and more with the easy going "goulash communism" that made Hungary the "jolliest barracks in

"People who lived in places with the toilet at the end of the countyard were able to move into a decent tower block and live in civilised surroundings," says Mr Istvan Dobrogi, a worker at the light-bulb maker, Tungsram, pensioned off after General Electric of the US bought the company.

"There was a bathroom. They could pay tha elec-tricity bill and the rent, keep a small plot and maintain a Trabant. Only a few For a party that once believed in monolithic dictatorship of the proletariat, Hungary's Socialists attract a surprising social mix, writes Nicholas Denton. State employees, pensioners and the unemployed, the losers in the transition to a market economy, are their natural and most numerous supporters. But opinion polls show the Socialists command the most concentrated support among "top leaders". "If the new Hungarian bourgeoisie have a party at all, it is the Socialist party," says Mr Peter Tolgyessy, a liberal politician. "The Socialist party has two wings: one is like the British Tories and one like Labour in the 1950s."

Ex-communists are set for a comeback in Sunday's elections, writes Nicholas Denton

people can manage that now." Living standards for most

ees have fallen over the last

four years as gross domestic product has shrunk by 20 per

cent. Unemployment has now

risen to 12.2 per cent of the labour force. Mr Janos

Piyevszky, a car mechanic, complains: "Now there is no

social safety net, at least then there was. There are terrible

layoffs. They turn off the elec-

tricity if people can't pay."
Electricity bills do not preoc-

cupy the mobile phone wield-

ing drivers in Mercedes cars

who cruise through central

Budapest past boutiques, western brand-name stores, gleaming new hotels and banks. But

the new rich are few and their

doners and state employ-

For Hungary's business élite did not spring into life instantaneously when the Soviet bloc collapsed in 1990. In Hungary economic liberal-

isation began as far back as 1968 and the nomenklatura, leading communists, had time to translate political power into economic weight. The Socialists have a constituency that stretches from the new rich to the unemployed coalminer. Mr Laszlo Bekesi, the Socialists' for-

mar and perhaps future finance minister, matches any conservative or neo-liberal for fis-cal orthodoxy. Socialist campaign posters promise to "get the expertise back into government". The line has broad electoral appeal, says Mr Gaspar Miklos Tamas, a liberal commentator. Voters see the Socialists as the aristocrats." At the same time, however, Mr Gyula Horn, the Socialist leader, has led pensioners and state employees to believe he can halt the deteriora-

tion of living standards.

though impressive to foreigners, is galling to many less fortunate locals. Only 18 per cent of Hungarians polled say they are better off than before, fewer than in

conspicuous consumption.

any other east European country except Russia. The conservative government takes a leaf out of the standard practice for beleaguered western governments and argues that recession has been as bad, if not worse, among all Hungary's eastern neighbours.

To no avail. "Before the collapse of communism Hungarians compared themselves to Romania and they thought they were doing well," says Mr Peter Tolgyessy, a prominent politician of tha liberal Free Democrats. "Now they compare themselves with Austria." The Socialists are the benefictaries of the public's disgruntlement. "We get our support from the fact that most people have had it up to here," says Mr Polgar.

It is not fair, respond Hungary's increasingly despondent conservatives. It was the communist regime that built up eastern Europe's highest per capita debt and left their successors to repay it. "For years and years we consumed more than we produced," says Mr Tamas Katona, state secretary at the prime minister's office. Ordinary people are paying the price for the previous system." And the conservatives,

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NEWS: THE AMERICAS

US indicators point to robust growth

By Michael Prowse in Washington

The US index of leading indicators rose 0.7 per cent in March, more than expected and suggesting that economic growth will be robust during the next six months, the Commerce Department reported vesterday.

Separately, the National Association of Purchasing Managers released a bullish half-yearly forecast, predicting 7 per cent growth of corporate revenues in cash terms this year and a 10.9 per cent increase in capital spending. Purchasing managers expect the price of goods they buy to rise only 1.5 per cent in 1994. Mr Ron Brown, commerce

secretary, said the jump in the leading index, led by a sharp increase in the length of the

the leading index rose in March, with positive contributions from higher commodity prices, an increase in building permits and orders for durable goods, and a drop in weekly claims for jobless benefits. The overall index rose 0.4 per cent in January and was revised to show a zero change, rather than a 0.1 per cent decline, in

February. The jump in the index "the economy continnes to hit on all cylinders," said Mr Martin Realia, chief economist of the US Chamber of Commerce. Most forecasters believe pre-

liminary reports of real economic growth at an annualised rate of 2.6 per cent in the first quarter, against 7 per cent in the fourth quarter, understated Purchasing managers were

the US economy's momentum.

they were last December, Mr Robert Bretz, head of the NAPM's business survey committee, told the association's annual conference in Atlanta yesterday. In December, purchasing executives forecast an increase in revenues of 4.7 per

cent this year. Purchasing managers said operating rates at member companies had risen from 83.7 per cent last December to 87.9 per cent, the highest rate since they began to compile operating rate figures in 1989. They said companies would respond to capacity shortages by increasing capital spending by nearly 11 per cent in cash

terms this year. Their survey of export intentions was the most bullish since it began in 1987: 64 per cent of members said exports would rise this year, 7 per cant said exports would decline; 79 per cent of member companies

Castro targets illicit profits

By Canute James in Kingston

The Cuban government is expected to implement a series of fiscal and monetary measures in the next six weeks, after a two-day meeting of the National Assembly.

President Fidel Castro said at the end of the meeting, late on Monday, that the success of the measures would depend on a new law to curb the country's thriving black market and allow the confiscation of illicit profits.

Mr José Luis Rodríguez. finance minister, outlined a series of proposals but said they might not be the ones to be adopted and implemented by the government.

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There was no indication of reforms to increase production or build up the supply side of the economy, but the series of preposals included measures to mop up excess liquidity, to reduce a growing fiscal deficit and to give the state increased access to the hard currency circulating on the island.

The government is expected to impose a wider to come tax, extending it to many more than the few thousand Cubans who now pay. It also plans to impose taxes on incomes earned abroad.

The proposals also envisage increases in bus fares and in water and postal rates. Subsidies on a range of food and medicines would be cut, leading to higher prices. Prices for alcohol, cigarettes and petrol for private vehicles would rise. Free entry to sporting and cultural events would end. The government would also invite Cubans to put their money on fixed deposit.

The government is contemplating creation of a new currency. This would be convertible, as well as valid at the special and relatively wellstocked Cuban shops which eccept only bard currency. Cubans would be encouraged to exchange foreign currency for the new peso, thus putting more of the hard currency in the country under official

The government has been increasingly concerned at the rapid devaluation of the existing peso. The official rate keeps it at slightly more than a US dollar, but the street rate is close to Ps100:\$1. The government says nearly 12bn pesos are in circulation, four times the amount needed.

Many of the fiscal measures outlined would be aimed to reduce the monetary over-hang. This would be difficult, given the rate of monetary creation implied by the government's own figures - a Ps4.2bn budget deficit last year and nearly 70 per cent of state enterprises losing

money. Mr Castro said the new measures would not be popular, but that a "disaster" would ensue if they were insufficient. He said that the success of new measures would depend on the crackdown on black marketeers, who have been doing thriving business, mostly in food, because of sbortages in the abops. The government intends to seize their property and profits.

Cuba's economy has shrunk by half since the collapse of the Soviet Union, the Caribbean island's main trading partner. The problems were compounded by the failure of the Cuban sugar harvest last year and a significant reduction in foreign earnings.

average working week, indiconsiderably more optimistic export regularly. cated the economic recovery about the outlook for 1994 than Clinton toughens stance

By Jurek Martin, US Editor, in Washington

President Bill Clinton yesterday refused to rule out the use of force to oust the Haitian military junta from power. "It's time for them to go," he said, before leaving for Atlanta and an internationally televised news conference on foreign policy.

However, he emphasised that the first step in renewed US pressure on Haiti would be to have the United Nations Security Council agree to tighter economic sanctions, aimed more precisely at the assets of funta members and of prominent civilian supporters.

"We've tried other initiatives and they have not worked," Mr Clinton conceded, "so we are now doing this sanctions regime as recommended by President [Jean-Bertrand] Aristide and others.

Ms Dee Dee Myers, White House press secretary, said that military intervention in the Caribbean country was "a little far down the way" and would only be undertaken with congressional approval under the War Powers Act.

Mr Clinton has come under growing pressure, particularly by the black caucus in Conto act as evidence of atrocities in Haiti proliferates. Father Aristide, exiled by the military coup of October 1991, has described US policy towards his country as tanta-



Controversial exile: President Jean-Bertrand Aristide has trouble keeping support as his absence from Hatti continues

The administration's stance came under fire yesterday from ex-president George Bush, whose general policies towards Haiti Mr Clinton has followed, and from Mr Lawrence Pezzullo, US former special envoy who resigned, under pressure, last week.

In an interview with a Houston newspaper, in which he confessed to a change of opin-ion, Mr Bush said it was time for "a significant shift" in US policy. This should combine intensified diplomatic efforts with an end to US support for the return or cally elected President Aristide on the grounds that it was now clear he lacked sufficient support in Haiti itself. However, Mr Bush added, it would be "a

tremendous mistake" for the US to intervene militarily because "no US lives are at risk in Haiti today".
Mr Pezzullo, heavily critic-

ised by supporters of Fr Aristide, also warned - in a letter to Mr Warren Christopher, secretary of state - of "my grave concern that we are heading down a path towards unflateral military intervention".

The White House yesterday declined comment on a report that it was thinking of sending US military officials to seek to "retrain" the Haitian army and to provide some protection for humanitarian food suppl Haiti. A similar, lightly-armed mission was aborted last year off Port-eu-Prince in the face of

Paraguay suffers its first general strike in 35 years

Paraguay's first general strike forces have caused 20 injuries. Police shot a peasant in the interior of the country particlpating in Monday's general strike, in which protesters blocked roads throughout the country and demonstrated in

the capital Asunción. They demanded 40 per cent wage rises, a halt to the coun-

By Stephen Fidler in London

and Raymond Colitt in Quito

Ecuador and its leading bank

creditors have reached an

agreement in principle on a

fundamental restructuring of

its foreign bank debt. The deal

is aimed at erasing overdue

interest with foreign creditors

The accord, reached late on

Monday by government negoti-

nology to compete internation-

Under the Brady-style agree-

ment, holders of debt principal

will be able to exchange it

either for 30-year bonds carry-

for the first time since 1987.

interest.

try's privatisation programme and the suspension of eco-nomic integration with neighbouring countries. The army deployed tanks to keep the roads open, but transport workers paralysed the bus service, forcing shops and offices

The one-day strike followed months of growing tension in the interior, where peasants are demanding land reform and government financial support to compensate for falling cotton prices.

Growing trade links with Paraguay's large neighbours, Brazil and Argentina, through the Mercosur customs union is also threatening smaller Paraguayan companies.

This was the most serious challenge yet to President Juan Carlos Wasmosy, who was elected last year. Mr Wasmosy's Colorado party backed General Alfredo Stroessner during his 1954-89 military rule, but is now committed to democracy and market

Pact aims to wipe out overdue foreign interest payments





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(4) Any creditor of the Company may at any time up to and including 2 June, 1994 upply to the High Commy Court under Section 176 of the said Act for an order prohibiting such payment out

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Ecuador agrees bank debt deal ing a floating interest rate and a 45 per cent discount to face

> from 3 per cent to 5 per cent in the 11th year. As is common in Brady agreements - named after former US Treasury Secretary Nicholas Brady - the principal and one year of interest on the concessional bonds will be guaranteed by US Treasury bonds to be held in escrow as

value, or for "par" bonds with

interest payments stepping up

ators and a committee of banks led by Lloyds Bank, covers collateral. The government claimed that it also achieved a 20 per about \$4.5bn (£3.08bn) of camtal and up to \$3bn of overdue cent reduction on overdue interest of \$3.1bn, although the Announcing the accord in calculation is based in part on Quito, President Sixto Durán contractual interest penalties Ballen emphasised that the which are generally not levied country's status as a delinon such reschedulings. Most of quent debtor had resulted in the back interest will be repaid enormous difficulties in by the issue of 20-year bonds attracting foreign investment, generating employment and with a 10-year grace period before principal repayments obtaining the necessary tech-

Mr William Camposano, senior vice-president at Lloyds in New York, said a full term sheet of the agreement should be in place and an interna-

tional roadshow under way "if all goes well" by the end of June. The government hopes to complete the deal this year. The government is expected

to secure a standby loan agreement from the International Monetary Fund this month, and possibly also a rescheduling of its 1993 and 1994 maturities to the Paris Club of creditor governments.

maximum of \$800m is available to provide initial payments and purchase collateral for the agreement. Ecuador never fully consolidated its bank debt, and though it agreed partial reschedulings in 1983, 1984 and 1985, it ceased fully servicing its debt in

In the secondary market, the price of Ecuadorean debt rose yesterday before easing back latsr. Bankers close to the agreement were keen to avoid the negative reaction from banks thet followed the recent agreement in principle with

They emphasised that there would be no reallocation of the debt in privatisations.

choices once hanks had made their initial choice and that all the collateral for the exchange bonds would be available immediately. This contrasts with the recently completed Brazilian agreement. They argued that there had been no big concessions on interest

One said that in negotiating the agreement, the government had been aware that it would be "presenting the package to a broader variety of creditors than would have been the case a few years ago".

This is a reference to the large number of private investors in such bank debt. These include the Dart family of the US, who refused to join the recent Brazil package and who are widely thought to hold positions in Ecuadorean and

Polish debt. The accord will not need ratification by Congress, but some opposition politicians, while welcoming the agreement, noted that the current modernisation law forbids the use of

EU tackles imports of broadcasting cameras

High duties against Japan

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The European Union has imposed definitive antidumping duties of as much as 96.8 per cent on imports of broadcasting cameras made by five Japanese electronics com-

The duties are among the highest in any recent EU antidumping action against Japanese imports.

The duties were impossd after an investigation by the European Commission of complaints by BTS, part of Philips of the Netherlands, and Thom-son Broadcast of France, which are Europe's only makers of studio video cameras. The investigation found that ences due to varying product

Japanese suporters had increased their share of the EU studio camera market from 52 per cent in 1989 to 70 per cent in 1992, while the share of European producers fell from 48 per cent to 30 per cent.

The Commission said the market share gains were due to unfair pricing by the Japanese companies. It put at 21 per cent to 60 per cent the "dumping margins" on the products - the gap between prices in the EU and Japan. It said none of the Japanese companies disputed this finding. However, Sony, one of the Japanese companies affected

by the EU action, accused the

Commission of failure to take

into consideration price differ-

specifications and service provisions. It said the duties would result in "significant" price increases.

The dumping duties on Sony cameras have been set at 62.6 per cent; those on products by Ikegami Tsushinki and Hitachi Denshi are 82.9 per cent and 52.7 per cent,

Duties of 96.8 per cent bave been imposed on products by Matsushita and JVC, which the Commission said did not co-operate in its investigation. Sony, the leader in the world broadcasting camera market, said many of its customers had lobbied on its behalf during the

EU investigation. The Commission said several users of broadcast cameras bad said European products were

demonstration of Turkey's

armoured personnel carrier

This unusual move follows

an intervention by General

Doğan Gures, the Turkish chief

of general staff. Turkish con-

cern about the quality of the

FMC vehicle's armour follows

complaints by the Turkish

land forces, which have refused to take delivery from

the FMC plant outside Ankara

where more than 400 vehicles

The dispute has meant PMC

has not been paid since

November. The company has

informed the Turkish authori-

ties it is setting off its debt

payments against some \$60m worth of debts owed by SSM,

the government procurement

agency, for vehicles which FMC has already produced.

With these amounts denomi-

nated in Turkish lira, company

officials estimate that as a

await collection.

produced by FMC of the US.

inferior to those from Japan but had not substantiated this claim.

مكنا ن الامل

The Commission also rejected users' objections that the duties would force them to switch to European cameras which were technically incompatible with Japanese ones.

Capital Group Studios, a London indpendent television production studio which lobbled against the duties, said yesterday that the decision would put it at a competitive disadvantage by raising the prices it

had to pay for equipment.

The company said the most sophisticated broadcast camera technology had iong come from Japan, though BTS bad recently launched a range of technically advanced products.

Sales of CDs near cassette total

By Michael Skapinker, Leisure industries Correspondent

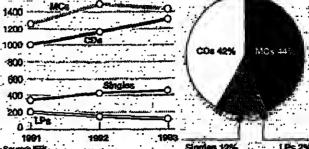
International unit sales of compact discs rose by 19,4 per cent last year to 1.39bn, raising the prospect that the CD will soon replace the andio cassette as the world's principal music carrier. Unit sales of cassettes fell 2

per cent to 1.44bn, according to figures from the International Federation of the Phonographic Industry, which represents music companies worldwide.

Although overall cassette sales remained higher than by 5.9 per cent, suggesting

Turkish-US joint arms venture jams

Recorded music sales: World growth by formet (Units m)



those of compact discs, sales had begun to declins for the first time in 1993, the federation said. Nevertheless, CDs now significantly outsell cassette tapes in all the biggest music markets, apart from

CD units sales rose by 21.5 per cent in the year. The value of the total world market rose

Mexico.

that most of the CD volume growth was reported in the budget and mid-price sectors. Unit sales of vinyl record albums fell 30 per cent to 80m. The federation said the vinyl album had almost disappeared from all the developed music

The total value of recorded music sales last year rose 5.9 per cent to \$30.5bn (£20.2bn).

Poorer countries grab more investment

By Frances Williams in Gener

Developing countries are snatching a growing share of international investment and this trend is likely to continue, according to a report by the United Nations Conference on Trade and Development.

Flows of foreign direct investment (FDI) to developing nations reached record levels of nearly \$50bn in 1992 and sbout \$70bn in 1993, Unctad estimates. As a proportion of total FDI flows, they rose from 33 per cent in 1992 to 37 per cent last year as overseas investment in the industrialised world continued to fall.

The report, presented to this week's meeting in Geneva of Unctad's Commission on Transnational Corporations, notes that Asia continues to be the largest host developing region while flows to Latin America have increased since the late 1980s. Most African nations, and least-developed countries, have seen FDI flows stagnate or decline.

Unctad attributes the rapid expansion of FDI to the strong economic performance of many developing countries as well as to privatisation and more open equity markets. However, FDI growth had created relatively few new jobs in multinational corporations worldwide, fuelling criticisms that multinationals were reshuffling jobs

away from rich countries. • Talks restart this week in Geneva which aim to open individual country markets in three services sectors - maritime transport, labour movement and basic telecommunications, Trade officials agreed to continue the talks last December when the rest of the Uruguay Round was com-

> The negotiations on freer lahour movement to snpply services abroad, a priority area for developing countries, are due to be wrapped up next year, in parallel with talks on financial services. The negotiations on shipping and telecoms will extend until 1996.

Washington sets date for Tokyo progress on trade

The US told Japan's new government yesterday that the two countries must make progress on trade before the July meeting of the Group of Seven leading industrial countries in Naples, and Japan promised to seek a solution, Reuter reports

from Catro. Mr Warren Christopher, US secretary of state, delivered the message during a meeting in Cairo with Mr Koil Kakizawa,

It was the first high-level contact between the two ellies since a new government was installed in Tokyo. The two were in Cairo for today's scheduled signing of the Israel-PLO agreement on Palestinian : self-rule

Mr Christopher said the US was prepared to be understand. ing during this transition phase as the new government established itself and devel

THE REAL PROPERTY AND THE

Mr Christopher noted that Mr Kanter raised with Japan in Marrakesh three questions on the framework agreement

He sald Mr Kakizawa told him the answers would be forthcoming. Japan has a trade surplus of

sible before the G7 meeting in Naples so we have a good report to give to the other leadars of the world at that

Mr Kakizawa said: "We agreed that the two countries have to make further efforts" following talks between then-foreign minister Mr Tsutomu Hata, now Japan's new prime minister, and Mr Mickey Kantor, US trade representative, in Marrakesh at a recent meeting to conclude the Gatt Uruguay Round _

that the two sides are negotiating to provide greater access to Japan's markets for Ameri-

oped its policied.

But at a news conference more than \$50bu with the US, with Mr Kakizawa, he said: which has been trying to force "it's quite important that we Tokyo to open up its markmake as much progress as pes—ets.

John Murray Brown on problems of a home-grown defence industry ostly delays of Turkey's largest defence industry collaboration project could be ironed out this week when US and Turkish officials gather at the US army's ballistics testing centre at Aberdeen in Maryland for a week-long

A version of FMC's armoured infantry fighting vehicle

result of the recent lira devalu- aims of cost and efficiency. ation the delay in payments has cost FMC an additional \$15m. With no response, FMC has stepped up the pressure and in February took its case to the international court of arbitration in Vienna.

The twists and turns of this 31hn deal - the first co-production joint venture managed by the-civilian rum SSM - provide a telling snapshot of the problems of a homegrown defence industry. The project has been the subject of the conflicting FMC also seems to be caught up in the rivalry between the civilian-run procurement authority and the Turkish military over defence spending.

Despite cuts elsewhere in Europe, Turkey's defence sector has continued to attract a growing share of the budget. But the issue has become particularly acute at a time when the economy is under strain and the Kurdish insurrection in the country's south east has reached a new intensity. The

shopping list has intensified with the appointment of a nsw head for the SSM, Mr Yalcın Burcak, a former Treasury official, who has put all spending on hold and is reviewing on-go-The FMC contract when

agreed in 1987 was to deliver 1,698 vehicles by August 1997. The project was a joint venture with the local Nurol group the target was to achieve local manufacturing content of about 70 per cent. Some 200 vahicles have been produced, some of which were deployed to support the Turkish troops in UN operations in Somalia Others are in use in the Turkish security forces' 10-year-old counter-insurgency operations against Kurdish rebels.

However, since the summer of 1992 not a single completed vehicle has left the Gölhaşı factory. Defence experts say the cause of the problem was SSM's decision in 1991 to change the contract terms. The original contract was a turnkey arrangement, under which FMC would deliver the completed vehicle to the Turkish

Now SSM has decided it will challange to the military's furnish such equipment as the engine, the gun turret and the night-sighting equipment from its own sub-contractors. Delays followed, some of

which were not of SSM's making. For instancs, the 25mm gun for the armoured fighting version was originally to be supplied by Oerlikon of Switzerland but the contract was discontinued after the Swiss parliament placed an arms embargo on Turkey because of its heavy handling of Kurdish unrest

The latest row concerns armour quality and follows a test at the Turkish army's own centre. FMC says the testing was unscientific. It claims the vehicle meets specifications of the contract and the armour quality is exactly the same as that on the vehicles supplied to the Belgian military.

However, some defencs experts say the army has deeper reservations, and is using the FMC issue to signal a more general discontent with the way SSM, a civilian authority, is now in charge of what has traditionally been part of the military's preserve.



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row hits Gaza pact run-up

By Mark Nicholson in Calro

A last-minute row over details of an historic accord to withdraw Israeli troops from Gaza and Jericho yesterday soured final preparations for today's scheduled signing of the agreement, locking both sides into a further and recriminatory round of negotiations.

Israeli officials insisted the signing would go ahead as planned, even if the outstanding disputes were not settled. Time has its limits and tomnrrow at 11 o'clock we shall sign." Mr Shimon Peres, Israel's foreign minister. said

Mr Yitzhak Rabin, Israel's prime minister, and Mr Yassir Arafat, Palestine Liberation Organisation chairman, were due to meet last night in a final effort to resolve the differences under the pressure of expectation and potential embarrassment created by the arrival of 2,500 dignitaries and a host of foreign ministers to witness today's planued event,

The last-minute disagreement occurred when PLO officials claimed Israel had "reneged" on more than 20 detailed points of the agree-

Mr Arafat accused Israel of "manoeuvres to abstruct the signing", prompting Israeli officials to blame the disagree-ments nn "a last attempt" hy the PLO "to get a hit more".

The points of disagreement included whether the Palestinians could issue their own postage stamps and have their own phone codes for Gaza and Jericho, and a dispute over the length of validity of proposed Palestinian travel documents. Israel had halked at the

The Bank of England will help Palestinians create a Palestinian Monetary Authority which will have all the functions of a central bank except the ability to issue a currency, a senior Palestinian economic negotia-tor said yeslerday, Julian Ozanne writes.

Mr Samir Houleila said in an interview that the greatest challenge facing the Palestinians in implementing the economic protocol signed with Israel last week was the cre-

selni, a Palestinian leader from Jerusalem, on the proposed list of 25 Palestinians to constitute the Palestinian authority which will administer limited self-rule until elections due in October. Israel says no Jerusalem-hased Palestinians must serve nn the body.

PLO and Israeli negotiators had left Mr Rahin and Mr Arafat to resolve two final points of disagreement: whether e uniformed Palestinian guard would he allowed on the Allenby Bridge linking Israel and Jordan, and the delineation of the area around Jericho to be ceded to Palestinian control. The PLO had been seeking more than twice the 54 sq km offered by Israel.

Mr Rahin's spokesman, Mr Ben Ari, said it was unclear wbether the two leaders would announce any agreement on this and other outstanding issues before this morning. The 200-page document, enti-

tled Agreement nn the Gaza Strip and Jericho Area, would give the Palestinians their first limited degree of political and economic autonomy since the Israeli state was created in 1948, committing Israel to withdraw troops from land claimed hy the Palestinians and occupled by Israeli forces during the 1967 Arab-Israeli war.

The agreement is already 20 weeks behind the schedule under which Israel should have completed its military withdrawal hy April 13.

Once signed, the deal would prompt the immediate conclusion of Israeli military withdrawal from Gaza and Jerichn. Under a draft text, Israel will

Last-minute World Bank plans \$1.2bn Palestinian aid

By George Graham in Washington

The World Bank has produced a \$1.2bn (£820m) emergency assistance programme designed to yield improvements over three years in living standards in the occupied territories of the West Bank and the Gaza Strip.

The programme is intended to serve as a sketch map to help co-ordinate aid flows from a wide range of donors, with the hope of avoiding some of the problems that could follow

region with only rudimentary governmental and institutional

"It is in one sense a blessing not to have a long history of government bureaucracy. The negative side is you don't have any institutional structures," said Mr Ram Chopra, World Bank director in charge of the occupied territuries pro-

The programme priposes investing \$234m for Gaza and \$366m for the West Bank over the next three years in infra-

as money is pumped into a structure projects such as water, sewers, transportation, electricity and education, as well as \$300m to support private-sector development nf housing, telecommunications and industry.

But it also includes an unusual \$225m start-up expenditure programme intended to provide temporary funding for a new Palestinian central administration, and to finance a social safety net through the public sector and non-governmental organisations (NGOs) already working in the area.

work with existing institutions and programmes, composed mainly of municipal structures authorised under the Israeli government, and the NGOs,"

Mr Chopra said. The World Bank has been working with the Palestinian Council for Economic Development and Reconstruction, set up by the Palestinian assembly last year to manage economic issues in a transition period.

The emergency assistance programme represents a first tranche of aid commitments occupied territories totalling \$2.4bn over four years.

Mr Chopra said the Bank's task force had examined proposais totalling about \$2.8bn, but had cut them to \$1.2hn to include only projects with the most immediate impact and which could he effectively

That does not mean the nnes we did not include are not a priority, they may just not have been ready," he added. Earlier Palestinian estimates of the money needed went as

"It is critical in this period to from donor countries to the high as \$10bn, but Mr Chopra said that included projects over a much longer period, as well as private-sector invest-

> Official statistics suggest an average annual income of around \$1,275 per capita for Palestinians in the occupied territories, higher than in Jordan and more than double Egypt's income level.

> But World Bank studies showed that services such as power, water and sewerage are often on a par with the leastdeveloped countries.



Right-wing Israeli women mock PLO and Hamas activists during protests yesterday against the Jericho-Gaza plan 🛷

Arafat faces storm over self-rule jobs

By Julian Ozanne in Jerusalem

Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, is likely to face a storm of controversy among Palestinians in the occupied territories over his appointments to the Palestinian national authority almost immediately after he seals today's Palestinian self-rule agree-

Details of Mr Arafat's provisional list for the 24-member authority, which will govern the Gaza Strip and West Bank enclave of Jericho before elections due later this year and which will act as a de facto cabinet, reveal that he is determined to stack it with loyalists and members of the Palestinian diaspora.

Palestinians who live in the occupled territories are critical of the agreement and deeply suspicious of their leaders whn have lived in exile for several decades. The "insiders" want a real slice of power in the self-tule authority.

Officials of Mr Arafat's Fatah fac-tion of the PLO have warned of a mntiny unless Mr Arafat includes many of the younger total leaders who emerged during the intifada - or

However, according to senior PLO

euthority, to be headed by Mr Arafat. will be largely drawn from outside the territories and from within Mr Arafat's loyal political factions.

The list includes Mr Hakam Balawi.

PLO ambassador to Tunis, who will be in charge of security; Mr Yasar Amr, a Jordan-based Fatah central committee member, to head the education department; Mr Yassir Abed-Rabbo, a PLO executive committee member, to take charge of communi-cattons; fittisem al-Wazir (Umm Jihad), wife of the assassinated PLO's former number twn Khalil al-Wazir (Abu Jihad), who will nversee wom-en's issues; and Mr Ahmed Qurie (Abn Ala'a), a Fatah central commit-tee member and Arafat loyalist, who will be finance "minister". The only two Palestinian "insiders"

are Mr Faisal al-Husseini, PLO leader in the West Bank, in charge of liaison with Israel and Mr Zakaria al-Agra,

the PLO boss of the Gaza Strip.
PLO officials say the list, which has been partially leaked in Jerusalem and Cairo, could be made public today. Other officials say the PLO is determined to wait until the Palestinian police force takes control of the self-rule areas before risking a back-lash which the list may provoke.

Britain will help create monetary authority

ation of credible, transparent and efficient financial and economic Institutions which would have authority outside the political and bureaucratic structures of the Palestine Liberation Organisation.

The Palestinians will ask for considerable technical assistance from the UK and Switzer-

land. Implementing the agree-ment would be hard because it only applied to the Gaza-Jericho part of the occupied territories, Mr Houleila said. He urged Israel to endorse policy decisions taken by the Palestinian authority and apply them to the rest of the West

He defended the protocol, saying Palestinians would gain an immediate reduction in the cost of living from lower nil prices, VAT, customs duties and direct taxation, which would fuel exports and invest-

The economic protocol met the Israeli-Jordanian agree-Palestinian aspirations much ment nn banking in the occu-

better than the political and security agreement negotiated in Cairo. "Actually we have paid a high price in the political and security realm, but we get the henefits in the economic sphere."

The agreement terminates

pied territories and allowe Palestinians to make the US dollar legal tender, he said. A negative point for Palestin-

lans was Israel's refusal to state specifically the number of Palestinians who would be able

to work in Israel, Mr Houleila. He and Mr Avraham Sho-

a short-term financial price for peace with the Palestinians. hat would gain from long-term normalisation of relations with Arab and Islamic states.

chat, Israell finance minister,

agreed Israel was going to pay

Mr Shochat said Israel would lose several million shekels' revenue from customs duties

and income tax on Palestinian migrant labourers (75 per cent of which will be transferred to the Palestinians) hut would reap the rewards of peace. "For us the most important thing is not the existing situation but the opening of the door to the east and to Arab markets."

Mr Houleila warned the PLO would not call for an end to the Arah economic hoycott nf Israel before further talks on Jewish settlements, international borders and refugees.

BHP to face A\$4bn New Guinea suit

By Nikki Tait in Sydney

A A\$4bn (£1.97bn) damages suit against Brokeu Hill Proprietary, Australia's largest company, is to be filed in Melbourne courts later this week by about 6,000 Papua New Guinea villagers. The legal action seeks redress for environmental damage allegedly caused by the Ok Tedi copper mine in western PNG, which BHP manages.

The class action is believed to represent the largest compensation claim ever mounted in Australia, with the A\$4bn figure comprising A\$2bn in compensatory damages and A\$2bn in exemplary damages. Shares in BHP edged lower, hy two cents to A\$16.90, on the

Details of the action were released by the Australian law firm acting for the villagers, ahead of the actual court filing. The suit itself is likely to be entered on Thursday hy Mr Rex Dagi, leader of the Western Province's Mirlpiki clan, in the Supreme Court. Yesterday's statement from the law-

yers said the sult would centre around the alleged poliution and flooding of the Ok Tedi River, due to dumping of waste material from the mine. The Western Province was concerned that the mine had "caused major damage to wildlife dependent on the river, to most fertile land beside the river, and possibly to the health of local people," it said.

"The local villagers are demanding a dam be built to contain the waste from the mine and that the river and the land affected by the dumping of waste be restored," it added. The lawyers said that the A\$2bn exemplary damages figure was based on the estimated current

cost to huild such a dam. Yesterday, BHP said that the Ok Tedi project "operates in compliance with PNG law and with the full support of the PNG government". It added that any legal action would be vigorously

Jersey companies'

Mr Alan Bond, the failed Australian businessman, told e Sydney court yesterday he was unable to remember anything about a series of Jersey-based companies which allegedly handled his personal funds and made investments but were never mentioned in the formal statement of affairs drawn np when he went bankrupt in 1992.

The bankruptcy trustee is trying to find where Mr Bond's assets lie, to pay his creditors. One of Australia's mostprominent entrepreneurs in the 1980s. Mr Bond went into bankruptcy with debts totalling hundreds of millions of

At the long-delayed public examination by his trustee in bankruptcy, he said he had no recollection of telling the Jersey office of Tonche Ross to eccept instructions from Mr John Bond, his son, Mr Harry Lodge, a Perth-hased solicitor, or twn nther

citing South Korea's recent decision to buy

the French-designed TGV train.

Mr Balladur urged ADB member countries

to join, and play e full role in, the new World

Trade Organisation which France had pushed for to replace the Gatt organisation. Welcoming the effort that "most" Asian

countries had made in the Uruguay Round

to liberalise their trade, he hoped all Asia

over his personal affairs during the

Asked if he had outhorised anyone to set up an offshore company for his per-sonal benefit, Mr Bond said he could not recall. In fact, Mr Bond could not even remember Touche Ross.

A day of relentless questioning by Mr Francis Douglas QC, acting fur the trustee in bankruptcy, failed to have any impact on this amnesia. Neither did the presentation of a deposition given by one of the Touche Ross partners, a series of notes allegedly taken hy Mr Lodge at a meeting with a Touche Ross partner in Jersey, nr letters signed by Mr Bond telling Touche Ross to accept instructions

from some of these individuals. "What I'm suggesting is that you had substantial sums of money, amnunting to millions of dollars, administered for

Islands," said Mr Douglas.

Bond 'unable to recall North Korea accused of violating 1953 armistice

South Korea yesterday accused North Korea of violating the 1953 armistice agreement that ended the Korean war hy threatening to withdraw from the military armistice commis-

North Knrea said it would try to dismantle the commission unless the US agreed to conduct negotiatinns nn a peace treaty to replace the

truce pact. Pyongyang has violated the armistice agreement "which provides that this document may be amended or supplemented only hy agreement between the parties involved," said the National Unification

Board in Seoul. Both the US and South Korea have said they will not

consider the peace treaty pro-posal until the North Korean nuclear inspection issue is

resolved. North Korea has refused to attend meetings of the armi-stice commission, which helps supervise the truce, since March 1991 when a South Korean general was appointed chief delegate for the UN forces. It claims South Korea was not a signatory to the armistice agreement, which was signed by North Korea and China on one side and the USled UN forces on the nther. South Korean analysts believe North Korea is trying to gain several advantages by

raising the peace treaty pro-posal and linking it with the nuclear issue. The most important goal is

to exchange nuclear inspec-

would eventually lead to the withdrawal of US forces from South Knrea and weaken relations between Seoul and Wash-

ington. The proposal is also part of the North's strategy to eliminate South Korea from the current nuclear negotiations. The North is seeking direct high-level talks with the US on possible diplomatic recognition, hut Washington has refused to hold discussions until Pyongyang accepts full nuclear inspections of its seven

declared nuclear sites. Another motive behind the North'e action is to blur the international focus on the

nuclear dispute. "It's their way of moving the goalposts and obfuscating the issue," said a US official.

Identity crisis for Asian Development Bank

Alexander Nicoll on a debate about the role of 'soft' public funds in a less than poor region

hat should a regional development bank do when its region development bank has become - at least partlv ~ developed?

The question has occurred to the governments which cupport the Asiao Development Bank with taxpayers' money. Many industrialised countries feel that, since borrnwers have growing resources and access to private capital, the ADB should focus on alleviating social problems - for example, reducing poverty and improv-

Zealous champloning of this issue, particularly by the US, has dominated the ritual discussions over a capital increase for the ADB over the past two years and has upset some Asian countries even if they broadly agree with the US

arguments. An even broader questioning of the modern role of international development banks came from Sir William Ryrie, former head of the World Bank's private sector arm, the International Finance Corporation, and now a director of Barings, the merchant bank, dur-

Mr Edouard Balladur, the French prime minister, yesterday stepped up France's drive to enter Asian markets by vaunting what his country had to offer Asia in political, aid and commercial terms, David Buchan reports

Development Bank in Nice, the French premier expressed his hope for Europe generally to strengthen its ties with Asia, but then homed in on French export specialties in telecommunications, transport and energy,

annual meeting in Nice. Massive private investment

pouring into economies which were increasingly market-oriented had made official lending, he said, "less necessary and sometimes undesirable". Official lending could retard development of private markets hy introducing capital which was not subject to the same risk discipline as private mnney. Development banks should lend to governments for sound projects naly when the private sector would not meet

the need. Though the debate about a capital increase is virtually over - negotiations have been completed and ADB governors

ADB's function continues to

The bank's new president, Mr Mitsun Sato, faces a hig challenge in implementing the new strategy set by shareholders while at the same time seeking to restore bruised dignitles in an organisation which, in the Asian manner, has a strong tradition of oper-

ating by consensus. Simply interpreting the new conditions which are being attached to the ADB's lending will be difficult. About half of lending from ordinary capital resources (separate from soft loans) is to be devoted to social-sector lending, Instead of just financing a road, the ADB

would see the need to reciprocate trade concessions made by others, as reciprocity was the only basis for "lasting agreements". May 22 - discussion of the should now ensure that the road is of particular benefit to poor communities, or for example that the borrowing govern-

ment charges appropriate fees

to trucks to limit environmental damage. Most sensitive is a demand by donor countries that loans be linked to "good governance" - a phrase with political overtones which alarm many borrowing countries, particularly those with memories of past colonialism. Mr Gunther Schulz, an ADB

vice-president, says: "We feel as a hank that we can only use this term in an economic context, nnt a political con-ADB officials concede, how-

tries agree with this interpretation. "How can we judge buman rights in a country?" asked one. "We are not Amnesty International. We do not have the tools."
Mr P.K. Lahiri, Indian execu-

tive director of the hank, said India, while supporting the capital increase, had reserva-tions about its linkage to policy and operational guidelines. India and China also feel that if a high proportion of ordinary ADB lending is to be

devnted to social sector concerus, then they - the borrowing countries with social problems on the higgest scale should have access to concessional loans from the Asian Development Fund which are naturally targeted at such problems. India and China are dented access to the ADF on the grounds that their sheer size would swamp the fund's

The changes in policy take place just as the ADB is in any case tightening up its practices so that loans are better prepared and monitored. The bank has admitted that it suffered from an "approvals culture" in

ever, that not all donor coun- which the primary concern was to pump out loans rather than the quality of projects - though it does not feel the performance record of projects it has financed is any worse than that of other simi-

> lar lenders. ADB executives insist the bank still does have a valuable role to play. Mr Sato tald the annual meeting yesterday the bank's regional presence acts an an incentive to others "to participate in a broad-hased portfolio of investment for sustainable development".

> Mr Schulz said the bank will be much more selective in future lending and that it should not compete with the private sector. He said the bank could act as a catalyst by taking small stakes in, for example, big infrastructural projects, and could also assist longer-term development hy financing education and

health. Danne countries will be closely watching the ADB over the next twn years as they discuss the next replenishment of the ADF - negotiations which, given the present debate,

ahead by 6.9% By Mervyn da Silva in

Sri Lanka economy

Colombo and Stafan Wagstyl

Sri Lanka's economy grew 6.9 per cent last year, despite the turmoil caused by the assassination of President Ranasinghe Premadasa and the continuing civil war in the north, an official report released this week

The country saw the highest growth rate since 1978, the report published by the Central Bank of Sri Lanka shows. Growth was fuelled mainly by a recovery in agriculture and a 24 per cent increase in invest-

The report comes amid mounting concern about prospects for this year. The ruling United National party, prepar-ing for presidential elections in late 1994 and e general election early next year, suffered its first serious defeat in 17 years in provincial polls earlier this

Reacting to criticism from within his party, President D.B Wijetunga has launched a populist programme of tax cuts and hand-outs which could

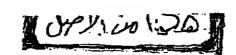
strain the government's resources. Meanwhile, the Sri Lanka Freedom party, the main opposition, has been gathering support at railies, notably a Mey Day rally attended by 200,000 in Col-

Culumbo Stock Exchange's all-share index. which rose 63 per cent last year, has fallen rapidly this year, with further sharp falls this week. The all-share index lost 48.24 yesterday, falling to 1,002.61 for a two-day loss of 8.7

The report says the inflow of foreign capital soared 47 per cent to SDR490m (£466.97m). taking accumulated foreign assets to SDR1.5bn in December 1993, as foreign fund managers poured money into the

Colombo Stock Exchange. Fureign direct investment picked up, notably in Colombo property. Remittances from Srl Lankans working oversees ruce 17 per cent to SDR454m Exports were SDR2.1bn and

imports SDR2.9bil. Inflation rose slightly to 117 per cent, due partly to higher defence costs in the north.



Johannesburg to relax market access restrictions

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By Mark Suzman in Johannesburg

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The Johannesburg Stock Exchange yesterday announced its intention to relax restrictions on foreign participation and ownership of brokerages, allow corporate membership, and lower barriers to entry for first-time investors, especially blacks.

The exchange is the 11th biggest in the world by market capitalisation with a value of some \$170km. The proposals are part of the findings of a sub-committee that had been commissioned two years ago to "advise on how the JSE should be structured as South Africa enters a

The inquiry was prompted both by a need to increase the efficiency and

accessibility of the exchange in a time of political flux and address pressure from institutions, such as schant banks, for the right to deal on the market.

The committee urges the encouraging of wider share ownership among the black community, promoting small business and emerging black entrepreneurs, the expansion of possible channels for black savings in the market, and increased black participation in the stockbroking community.

The JSE proposes easing access to the exchange for small and medium-size black companies through a restructuring of the largely moribund local venture capital market as

members of the exchange to make market entry simpler.

Operational questions addressed by the report centred on whether to permit corporate members, whether to allow negotiated commissions, and whether to switch from the current single trading capacity, where brokers act on behalf of buyers and sellers, to dual capacity trading. where brokers can act as principal as well as agent. Although divided, the majority report of the committee decided that a London style, immediate "Big Bang" was not desirable for Johannesburg and that "phased implementation" of deregulation would be preferable.

It decided to retain fixed commis-

but allow for negotiation on commissions on trades over R3m. On corporate memberships, it suggests that initially up to 30 per cent of a broking firm may be sold to non-stockbrokers, with the proportion possibly expanding at a later date.

As the report also recommends lifting the restriction on South African citizens becoming brokers, this opens the door for foreign ownership of broking firms. Several local brokers are already sounding out prospective international partners. "There is a great deal of interest

among the foreign community in increasing their involvement on the exchange," admits Mr Roy Andersen, JSE president, who described the proposals as an "elegant solu-

tion" that would "level the playing field between brokers and bankers and allow the process of evolution without disruption."

On the more contentious debate over trading, a majority view decided to retain the current single capacity so as to prevent possible abuses and price manipulation. South Africa's banking sector is largely controlled by conglomerates which have significant industrial interests as well, thus opening up potential conflicts of interest

However, the report acknowledged that, were South Africa's restrictive exchange controls ever lifted as the committee favours, a shift to dual trading capacity in the broader

ness community does not seem

to be panicking over the plan,

largely because the ANC has

shown such eagerness to con-

sult widely on the programme

and seek the commitment of

business at every stage.
As economist Mr Rudolf

Gouws of Rand Merchant Bank

points out, the final draft has

removed many of the "rough

it more difficult to criticise.

capitalist past,

The report also blames the foreign currency controls for the problem of market illiquidity - annual turnover currently amounts to only around 7 per cent of market capitalisation but suggests that the abolition of the Marketable Securities Tax, currently levied at 1 per cent of transactions, could also help address the problem.

The recommendations have to be passed on to the new parliament and then legislated before they take effect. Among stockbrokers, the general reaction was favourable, with eome seeing it as a pre-emptive strike against possible action by the new government. "All in all it is good news and far better than having it imposed by an external force,"



	Votes	% of total
African National Congress (ANC)	7.42m	62.5%
National Party (NP)	2.62m	22.1%
inkatha Freedom Party (IFP)	0.99m	8.3%
Freedom Front (FF)	0.32m	2.7%
and the state of t	0.04	4 704

edges" of earlier drafts, making Party (OP) Pan Africanist And the original beavily "stat-Congress (PAC)

ist" emphasis of the draft has been substantially softened, Provisional retails for the Netional Assembly based on 12,07m votes counted out of the estimated 23m ross. with ANC officials keen to play up the party's corporatist intentions, rather than its antiprinting money. For the moment, its inten-

US steps up peace efforts on Rwanda

By George Graham in Washington

The US has stepped up its involvement in efforts to end the fighting in Rwanda with the despatch of two senior diplomats to the region and a promise of \$15m (£10.2m) of humanitarian aid.

Mr John Shattuck, assistant secretary of state for human rights, and Mr David Rawson former US ambassador in Kigali, were due to set out yesterday for talks in neighbour ing Uganda, Tanzania and Burundi.

But US officials said they were working mostly through the United Nations, adding that US involvement might extend to providing money or logistical support for a UN force though not to despatch of US troops.

State Department officials added that the US was nushing for the UN Security Council to impose an arms embargo on Rwanda and had approached other countries in the region in an effort to stop the flow of weapons into the country.

Reuter adds from Natrobi: Rebels of the Rwanda Patriotic Front failed to appear yesterday for peace talks in the northern Tanzanian town of Arusha, A delegation from a rump government which now controls barely a third of Rwanda had already arrived in Arusha.

However, Mr Emanuel Ndahiro, RPF military spokesman, said the RPF was prepared to talk to elements of the armed forces in an attempt to halt the

Mandela insists on fruits of liberation

Patti Waldmeir and Mark Suzman ask whether the new South Africa can afford them

r Nelson Mandela made one thing abundantly clear r Nelson Mandela when he claimed electoral victory on Monday night: that he will be moved by the spirit of reconciliation and compromise on all issues bar one - his economic plan for uplifting black South Africans, known as the Reconstruction and Development Programme (RDP).

The message of the man who will henceforth dominate South African politics was unambiguous: he will tolerate no opposition in implementing this programme; and anyone who disagrees with it need not bother entering the government of national unity.

His comments demonstrate the fact that Mr Mandela and his African National Congress

see the advancement of black South Africans as the true goal of decades of liberation struggle. If political power cannot be used to ease black poverty, it is not worth having, they would

The foreword to the RDP puts the case even more categorically: "No political democracy can survive and flourish if the mass of our people remain in poverty, without land, without tangible prospects for a

The ANC cannot expect to remain in power unless it meets these basic needs. Mr Jay Naidoo, who may be appointed to head a special ministry charged with implementing the programme, says its objectives must be met or "none of us is going to survive". The programme sets ambitious goals - over the next five years - Im homes are to be built, 2.5m houses electrified, clean water, sanitation and health care provided for all. But it also includes a commitment to fiscal discipline and the need to maintain

macro-economic balance. "We must finance the RDP in ways that do not cause undue inflation or balance of payments difficulties," it says, adding that "the vast bulk of the RDP will be financed by existing resources organised, rationalised and directed within RDP guidelines",

But the ANC's plans for "increasing the efficiency of consumption expenditure and improving the revenue recovery capacities of government"

display a touching faith in the powers of the new broom - and a naive belief in the willingness of government to cut defence spending.

Mr Naidoo expects a 3 per cent annual rise to the productivity of the civil service. But the ANC's agreement not to sack white civil servants in large numbers, coupled with its commitment to promote blacks through affirmative action, may, conversely, lead to a rise in the cost of the public service.

And with nine new provincial administrations set up under the constitution and a host of new parastatal bodies created by the RDP itself, it is hard to share the ANC's optimism about productivity gains. So too is it difficult to believe

that R3.83bn (£717m) will be saved from defence spending. It is also worth noting that though the plan cites the need for fiscal discipline, a commitment to keep the budget deficit at 6 per cent of gross domestic product, included in early

drafts, was removed from the

final plan. Costing the plan is difficult: the ANC says it has budgeted R39bn for the five-year programme. The National party claims the true cost will be R70bn in the first year alone, rising to more than R600bn for the full five years. Given that the financing of the RDP is at best vague, at worst unrealistic, only time will tell which will turn out to be the true

Still, the South African busi-

The real test will come if an tions are virtuous; they will be ANC government must choose between either implementing sorely tested by a spell in the plan or raising taxes and

Western Cape will prosper, says Kriel

Mr Hernus Krief, who will head a National party govern-ment in South Africa's Westmost money in any post-apartheid economic boom will be attracted to his administration, Reuter reports from Cape

. Mr Kriel, law and order minister in the the outgoing white parliament, said in an inter-view that investors would be drawn to the Cape by his commitment to law and order and by the white-led NP's commitment to a free market "People will invest where

they feel their property and profits are safe," said Mr Kriel, who is likely to be the only white provincial premier. Mr Kriel dismissed specula-

tion that the Cape could become a white homeland or volkstaat, but he said investors. would be drawn by the stability of NP rule following the repeal of anti-apartheid sanctions that deepened the country's four-year recession.

Economic analysts said, however, that growth would be due to the natural advantages of the Cape. Mr. David Bridgman of Wesgro, a regional economic initiative, said the Cape was already the country's most attractive venue for new manu-

facturing investment. There is a threat - and it would be very bad news --that we could face a race with



Hernus Kriel, victorious National party candidate to be premier of Western Cape, is congratulated by a colleague

the National party going all course from the policy adopted out to make the Western Cape by the central government. work and the ANC going all out to prove it a disaster," he

There is already a perception of the Cape as being high on lifestyle and low on violence, which is attracting a lot

of people."
Mr Rob Lee, Board of Executors portfolio manager, said Mr Kriel would have only limited powers to put the Western Cape on a different economic However, "the National party will want to make the Cape its showcase, so they'll put everything into making it look better than the rest of the coun-

He said South Africa's postapartheid growth would be factured exports and the Western Cape was favourably placed to take advantage of both.

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News service withdrawn after item is dropped Malaysia in row with BBC

By Kieran Cooke in Kuala Lumpur

Malaysia, which in late February imposed a ban on giving government contracts to British companies following unflattering reports about the country and Prime Minister Mahathir Mohamad in the British press, has now become involved in an argument with the BBC about its TV news broadcasts.

Satellite transmissions are illegal in Malaysia but since the beginning of March the BBC has been supplying Radio Televisyen Malaysia (RTM), the local state run broadcasting service, with a daily news

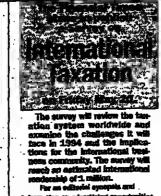
Last weekend the BBC withdrew the service, saying RTM had broken agreements that its news bulletins be run in full and not censored. At issue is an RTM decision to drop a BBC

news item which showed recent labour unrest involving thousands of people in the Indonesian island of Sumatra.

An official at Malaysia's information ministry said the item had been dropped so as not to jeopardise relations with Indonesia and accused the BBC of "blatantly disregarding

Asian sensitivities" In place of the BBC news programme viewers will now watch American wrestling.





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FT Surveys

Major under pressure amid split over Europe

Mr John Major yesterday rebuked Mr Michael Portillo, the Treasury chief secretary, as cabinet tensions over Europe and the party leadership left the government in visible disarray on the eve of tomorrow's local elections.

Facing a flerce opposition attack in the House of Commons, the prime minister denied the cabinet was split over whether Britain should partici-

authority pensions and say it

tant general secretary, Mr

IONS

could lead to reduced benefits

Roger Poole, said: "This gov-

ernment's punitive policies

have turned the nation's pen-

next stage of European integration. His response coincided with calls from a procession of senior ministers led by Mr Kenneth Clarke, the chancellor, for the party to end its fac-

The ministers sought to dismiss a call from a senior backbencher, Mr David Evans, for large-scale cabinet sackings and the replacement of Sir Norman Fowler as party chairman.

tional infighting.

But the damage limitation exercise did little to dispel the speculation among Tory MPs that heavy defeats tions on June 9 would seriously imperil Mr Major's leadership.

Amid alarm among party managers about the threat of an electoral catastrophe, Mr Portillo said that he had not broken cabinet in voicing opposition to a single currency.

He told a Westminster press conference that he fully backed the government's stance that it will decide whether sterling should be subsumed by a single currency only if and when the occasion arose. Remarks he made at the weekend

Turning to the leadership, Mr Portillo, the emerging candidate of the right in any contest, insisted he did not expect any challenge to Mr Major he was not encouraging friends to campaign on his behalf

But party insiders did little to disguise Mr Major's anger at the way Mr Portillo had re-opened the European debate in the last critical days of the local elections campaign. Officials said the chief secretary had issued his clarifying statement on the direct instruction of the prime minister's office.

Mr Portillo had "made clear this morning that he fully supports our policy on a single currency, a policy agreed by the whole Cabinet."

Mr Clarke also distanced himself from his deputy with the equivocal comment: "Ohviously I just expect and assume that my Cabinat colleagues will support a policy which Parliament will decide when the issue arises. Michael always has done, so far as I am aware."

But ministers on the Eurosceptic

Mr Major's personal irritation was wing of the party backed the chief visible also when he told MPs that secretary. Mr Peter Lilley, the social services secretary and another prominent cabinet sceptic, was among those said to be angered at the suggestion that senior ministers were

not allowed to voice their opinions. in the Commons Mr John Smith, the Labour leader, ridiculed the prime minister for failing to assert his authority.

Mr Smith charged that: "If you

cannot control your own Cabinet, is it any wonder that we doubt that you can run the country".

Westminster, if and when that decision ever has to be taken".

And in the meantime Britain

will not rejoin the European

exchange rate mechanism within the "foreseeable

Put another way, the for-

mula says there is no need now

for the Tory party to tear itself

apart over issues which will

not confront it at least during

the next several years and, per-

Mr Portillo yesterday fell in again behind that neutral for-

mula. But on the other side of

the European fence, Mr Ken-

neth Clarke, the chancellor,

made no secret of the fact that

he could envisage supporting a

Esoteric though it may seem

to the voters, the split shows

no sign of going away before

haps, not at all.

single currency.

future'

Lloyd's presents reform package

Sy Richard Lapper

Lloyd's of London yesterday paved the way for a further transformation of its capital base, providing for syndicates backed by one single corporate investor, effectively insurance companies, to operate at the market.

A package of reforms strengthens the rights of the individual Names, whose assets support the market, and suggests ways in which those Names who continue to trade may be able to sell the capital value or goodwill attached to their syndicate participations.

"The proposals in this report maintain a programme of radical reform which we initiated a year ago," said Mr David Rowland, chairman. Lloyd's introduced £800m in new corporate capital last year.

Mr Peter Middleton, chief executive, said Lloyd's would consult on its proposals for "transferring or realising value" for syndicate participations and that the changes "will have a profound and positive impact.

The market does not intend to change rules limiting the amount of capital corporate investors can supply to syndicates. Single corporate Names can supply no more than 25 per cent of a syndicate's capacity ~ the amount of premiums it can accept – while overall syndicates can obtain no more than 50 per cent of their capac-

ity from corporate Names. However Mr Rowland said the council, the Lloyd's governing body, could make exceptions and conceded that "it is inevitable that at some point in the future we will revisit these regulations."

Lloyd's said - if introduced single corporate members would be able to adopt anunal accounting - in contrast to the three year system deployed by existing syndicates.

Mr Robert Hiscox, deputy chairman and a keen supporter of the idea, said the new type of syndicate would allow managers "complete stahility of capital, and to retain credit Comwave with £20,000. | earnings and plan long-term."



The squabble becomes Tories' single currency

what he and his right-wing cabinet colleagues have long said in private - that a single

currency would fatally under-

mine British sovereignty - Mr

Portillo broke a carefully-

stance on whether or not the

government would participate

in a single currency was set out in a European elections

campaign document last

month, It was a fudge, deliber-

ately designed to prevent the

sort of row which has broken

The document states that

because of the opt-out negoti-

ated by Mr John Major at

Maastricht, Britain retains the

right to make its own decision

on whether or not to take on

the obligations leading to a sin-

It adds: 'That will be the

gle currency for Europe.

out in the last few days.

The official government

constructed cabinet truce.

The latest ministerial in-fighting about a decision that a future British govern-ment may or may not have to take in the late 1990s provoked exasperation and dismay among the level-headed on the Tory benches yesterday.

But it is a measure of the depths of the fundamental Tory divide on Europe that Mr Michael Portillo's off-the-cuff lismissal at the weekend of a single European currency could provoke such disarray.

The chief secretary's antipahy to European Monetary Union is well known. His Euroscepticism has propelled him within a few weeks into the position of the leading candidate of the right in the event that Mr John Major is forced

But in articulating in public

subject of a separate decision the European elections. Mercury faxes under fire

A fax hureau says that Mercury, the UK's secondlargest telecommunications carrier, overcharged it by up to £100,000 in 13 months by transmitting its faxes too slowly. The bureau is preparing a formal complaint to Oftel, the

industry watchdog. Comwave, the UK subsidiary of Swiss-based company Comwave Communications, said network providers do not have to comply with regulatory

standards while manufacturers' equipment must pass stringent standards before it can be concected to the network.

Oftel agreed this week that public telecommunications operators were not obliged to guarantee that fax calls would be successful or completed at any particular speed.

Comwave said that faxes sent on Mercury lines took an average of 18 per cent more time than faxes on British Telecommunications lines. Comwave has switched to

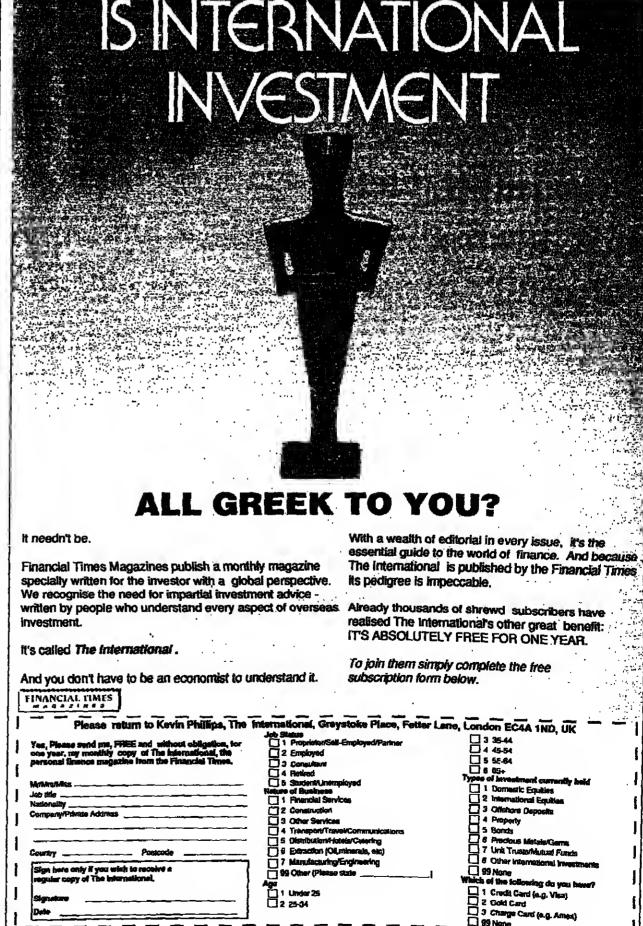
another network operator for its fax husiness Its global fax broadcast service is used by customers such as McGraw Hill, the US pubhisher, Swiss Bank and British

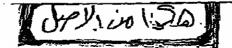
Alcan to distribute time-

critical information.

The cause of the problem. which Mercury does not deny. was a mismatch between Comwave's fax machines and a plece of Mercury equipment. Mercury, while not admitting liability, has agreed to







user with a clean, crononical

and modern energy source.

Bank acknowledges delay to Crest system

By Norma Cohen, Investments Correspondent

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The Bank of England yesterday acknowledged for the first time that its timetable for speeding share settlement in the City will not be met. It said the second phase of project to introduce paperless settlement will be delayed, they hope by no more than

six months. The Bank also indicated that the cost of the new system, Crest, may be higher than earlier believed. It announced a "cap" on Crest's costs of Crest project.

By Peter Norman,

last month and a sharp jump

in banks' mortgage lending in

March yesterday suggested

that Britain's consumer-led

recovery is shrugging off the

News that M0, the narrow

measure of money supply,

grew by a larger than expected seasonally adjusted 6.2 per cent

in the year to the end of April

strengthened market expecta-

tions that Mr Kenneth Clarke.

the chancellor, and Mr Eddie

George, the Bank of England

governor, would decide against

cutting bank base rates from

5.25 per cent at their monthly

monetary meeting today.

A decision to change rates.

was already considered highly

unlikely in view of tomorrow's

local elections, recent indica-

tors of steady first quarter eco-

nomic growth and rising yields

Yesterday's figures for M0;

normally regarded as a good

guide to retail sales, provided the first statistical evidence

that the tax increases have not

deterred UK consumers. "The

figures showed there is quite a

lot of momentum in consumer.

demand," said Mr Adrian Coo-

per, UK economist at James

Capel & Co, the stock brokers.

According to the Bank of

England, Mo, which consists

for UK government bonds.

Economics Editor

April tax increases.

Money supply

fears over tax

Strong money supply growth . April alone, the strongest

growth eases

intended to replace the London Stock
Exchange's failed Taurus system.
However the Stock Exchange's
request to be a significant minority

shareholder in Crest was rebuffed although the Bank said that but that the Exchange could still be chosen as the "operator" of Crest.

"It is something there are a lot of cogent arguments for," said Mr Pen Kent, associate director of the Bank of England who is spearheading the

mainly of notes and coins in

circulation, increased by a sea-

sonally adjusted 1.9 per cent in

and 5.6 per cent growth in the

Buoyant mortgage lending

Although the British Bank-

ers' Association said much of a

sharp 46 per cent rise in gross mortgage lending to £1.55bn in

March from £1.06bn in Febru-

ary was seasonal, Lord

Inchyra, the association's director general, said a sharp

rise in mortgage approvals in March suggested that "impending tax rises have had little effect on buyers' confidence so far". Approvals in March increased by 38 per cent. com-

increased by 38 per cent com-

pared with February to £1.58bn

and were nearly double Janu-

ary's seasonally depressed

year to March.

£35m, compared with its initial cost estimate of £20m to £30m. Crest is required that the City greatly reduce the number of days between striking a bargain and either receiving the shares or paying for them. From July 18, share transactions will settle 10 days after hargains are struck, but the Bank had planned to move to a fiveday gap from next January. It will decide by year end when "Trade Date Plus Five" should be phased in.

"I expect it will be in the first half of 1995. If it is any later I will be very disappointed," said Mr Kent. Yesterday, the Exchange said it

"understands that the Bank is not in a position to offer participation in the ownership structure on the basis of a up to become Crest shareholders and significant minority interest, as proposed." But it will be a member of a consultative committee advising the Bank-appointed board and will consider whether a small shareholding is still appropriate.

While large Exchange members have supported its application, fund managers and bankers have been concerned that a large stake would give it undue influence over Crest which it could use to advance its own inter- its recommendations.

that 50 City institutions have signed it is extending the deadline for addi-tional shareholders by one month.

While these shareholders will not have a direct vote in the ultimate design of Crest, the Bank of England will appoint a "shadow board" of representatives of some shareholder companies who will make key decisions. The Bank will not be legally obligated to follow the wishes of the shadow board but will be minded to abide by

Britain in brief



UK business failures even out

The number of UK business failures appears to have plateaued out at about half the level of 1992, according to a survey published yesterday by Touche Ross, the accountants.

However, the number of receiverships and administrations, which totalled about 2,500 in the last year, is running at well above pre-recession levels. In 1989, for instance, there were 1,500

No clear pattern has yet emerged in the monthly receivership figures this year. After two months when the number of receiverships increased, the number of business failures dropped by 35 per cent in April to 171.

The average monthly number of failures in the first four months of 1994 was 211, little lower than the 220 average recorded over the last

12 months. Touche Ross said that the recovery from recession continued to be slow and

Post chief lobbied MPs

Mr Bill Cockburn, chief executive of the Post Office, revealed yesterday that he has lobbied more than 150 MPs as part of his campaign to secure commercial freedom from the government.

He also publicly spelt out for the first time detailed business plans which could only be put into operation if the corporation was privatised or given commercial freedom within the public sector.

The plans include leasing some or all of the 16 trains owned by the Post Office; distribution of newspapers and handling private mail and parcels. In total the measures could save the corporation tens to the station being built at of millions of pounds.

Under current rules it is prevented by the Treasury from using surplus cash to invest in such business

Mr Michael Heseltine, trade and industry secretary, has said there is a strong economic case for privatising the Royal Mail to give it commercial freedom. But he has yet to publish his department's 22 month-old review of the

Westminster to launch review

Westminster Council in central London is launching an independent review of whether its proposed Unitary Development Plan could have been drawn up as part of a gerrymandering exercise related to its controversial sales of council houses.

The launch of the enquiry into the development plan is nearest the Conservative controlled council has come to admitting that the alleged gerrymandering exercise – supposedly planned to boost Conservative votes in eight marginal wards - may have extended beyond the council house sales to other activities including the planning

Earlier this year, the district auditor, Mr John Magill, made a preliminary ruling that the "designated sales" of council houses in the late 1980's were unlawful and recommended that ten councillors and officers, including the then leader, Dame Shirley Porter, should be surcharged £21.5m.

Mr John Major, the prime minister, yesterday said the Westminster Conservatives. who have a slim majority, deserve to be re-elected.

CORRECTION

Corv Environmental

Our use of a photograph of the Cory Environmental Pollution Services site at Mucking, Essex, to illustrate last Saturday's report on the introduction of new rules for the waste disposal industry does not imply that Cory is deficient, and it continues to operate under its existing licence as it meets the new rules. We apologise for any embarrassment caused by use of the picture.



Transport secretary John MacGregor and some visiting schoolchildren try out the sound wall, one of the exhibits in the Channel tunnel exhibition at the Science Museum in London yesterday

Channel tunnel '30 times safer'

By Charles Batchelor, Transport Correspondent

Travelling through the Channel tunnel should be at least 30 times safer than travelling by train above ground, according to a safety manual prepared for the £10bn project.

Meanwhile, provisional fig-ures from the Confederation of Eurotunnel, which will run trains through the tunnel, yes-British Industry provided terday unveiled a 1,000-page analysis of risks and the procemixed signals on pay awards. The CBI's Pay Databank dures to reduce them. showed that manufacturing The tunnel "safety case," awards averaged 2.7 per cent in itself a summary of documents the first quarter, slightly up on which would fill two wardthe 2.5 per cent recorded in the

identifies more than 50 possi-ble hazards including fires, derailments, obstructions on the line and earthquakes.

After four months of testing of the tunnel procedures, including round-the-clock oper-Eurotunnel hopes to obtain safety clearance to start freight services early next week. The official opening of the tunnel is on Friday May 6. Eurotunnel initially set itself

a target that for passengers travelling without their cars three months to February. I robes, is due to be published

within the next two weeks. It should not exceed 4.7 per 100 million journeys through the tunnel while for passengers with their cars the risk of death should not exceed 5.6 per 100m journeys. This was based on the safety performance of British Rail and the french

railways SNCF. But the real risk to passengers without cars is 50 times lower than the criteria set and for passengers with cars 30 times lower because of the safety measures adopted.

These include special door locks; separate running tunnels and a service tunnel; auto-

matic train protecting devices and a powerful ventilation system to remove smoke. additional stations on the 52.7bn Channel tunnel rail link is expected within the next four weeks, said Mr John Armitt, chief executive of

Union Railway, designer of the route, yesterday. The government will choose between of one or more of three sites; Stratford in east London, Rainham in Essex and Ebbsfleet in Kent, in addition

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plants, batteries for electric cars... we help meet vital needs in countries around the world. By working together with people everywhere, we've learned that better understanding is the key to meeting local needs better. To progress through communications,

energy and transport

wooded slopes of Hardknott. The forest is one of the most sensitive of the many managed by Forest Enterprise, the operating arm of the Porestry Commission. It covers the east flank of Harter Feli, a peak close to the central Scafell group which forms the backdrop to some of the most dramatic scenery in the Lake District National Park.

Mahony is Forest Enterprise's district manager, and his papers contain plans to reshape the forest to take account of the growing environmental pressures which now have to be balanced against the traditional goal of timber production. It was not always

this way. The Forestry Commission acquired this huge estate at the head of the Duddon Valley in 1936. But before it coold smother the area with trees it was prevailed upon hy the Council for the Protection of Rural England to sell off a big part of it, keeping only Hardknott for planting.

The result is that moch of the top of the valley remains unspoilt. But Hardknott bears the marks of the prodoction-driven planting practices of 50 years ago. The 1,400-acre forest is mostly fir,

laid oot io orderly ranks with little regard for the contours of the surrounding landscape. However, half a century later. Hardknott is oow being barvested, and this gives Mahooy an opportunity to remodel the forest. He has two

The first is the felling plan. Rather than raze whole areas in angular shapes, the aim is to phase the felling in order to soften the outlines and

A new look for an old forest

David Lascelles discovers a woodland being remodelled

The second is the restocking plan. Landscape designers have prepared a scheme to plant a greater variety of trees in groups which blend in with the line of the fell.

Mahony's plans are a patchwork of colonred blobs representing different varieties. Spruce will continue to dominate the upper slopes because it is best suited to the cold, wet conditions there. The middle slopes will have more larch and Scots pine with broad-leaved trees for the

lower slopes. Forest Enterprise now has forest design plans for each of its woodlands, all based around "multiple purpose forestry" which combines commercial forestry with the environment, conservation and recreational uses.

Although the organisation would like Hardknott to be exemplary of its approach to forestry in a national park, it is not typical. "What we're doing here is at the upper end of the spectrum because it's a very special site," says Geoff Hatfield, director of the north

and east Eogland region. The difficulty is that while Forest Enterprise has become nore environmentally aware, it is also coming under increasing pressure to operate commercially and transform its annual operating loss into a profit. This pressure would grow if the government

considers privatising the Forestry Commission, which is one of the options currently

before ministers. The redesign of Hardknott forest will reduce its yield in the long term because fewer trees will be planted, and a greater proportion will be slow-growing hardwoods, Harvesting is also expensive there because felling is to be phased over 30 years, and the logs hauled down the Duddon Valley's tiny lanes in specially designed lorries which can only manage 100 tonnes a week. And if the true Lakeland appearance of the forest is to be preserved, dry stone walls will have to be rebuilt and maintained, at

heavy cost.
"Would a private sector company take so much trouble?" wonders Hatfield, rather implying that they would not. He also stresses the wide public access which the Forestry Commission grants to its woodlands. something which private

owners might restrict. But at the same time, he says that Forest Enterprise "does not pull its punches in its quest for commercial viability. Costs have been sharply reduced, and much of the work is now contracted out to private firms. Efficiency is one reason why

Forest Enterprise will

continue its unpopular

practice of planting trees in tidy rows at Hardknott because it makes access easier and encourages trees to grow to the required size and shape. Harvesting is done using highly efficient machines which can fell, strip and saw

several dozen trees per hour. A few miles east of Hardknott lies Grizedale, the largest Lakeland forest, where Forest Enterprise has already gone some way to try to balance timber production with its environmental and leisure objectives. Tourists are encouraged to use the forest: there is a visitor centre, and cyclists and walkers can use the tracks and trails. All told, Forest Enterprise has 11,500 ha of land in the Lake

District, and produces 75,000 tonnes of timber a year, which makes it one of the biggest landowners and commercial operators in the national park This puts a premium on good relations with the park authority.

Alan Fishwick, the park's assistant chief planning officer, says that Forest Enterprise's new approach based on forest design plans is a welcome development. "We are involved at an early stage, which has enabled common objectives to be agreed," he says.

Tony Juniper, forestry specialist at Friends of the Barth, agrees there has been 'a dramatic change" in the Commission's approach. "They inggle their various objectives much better than they did 10 years ago," he says. But there is also concern

in the Lake District park about the growing commercial pressures on the Forestry Commission, and the possibility of privatisation. These pressures, Fishwick says, "are bound to have an influence on what can be achieved, and we do have concerns about the scale and impact of clear felling, for

pplying the term "value-added" to waste may seem odd, but it goes to the heart of a European plastics industry initiative to use ordinary waste packaging for energy.

The high energy value of plastics and paper usually dis-carded with the rest of the household rubbish can be exploited by using them as a fuel in a conventional power plant rather than a municipal solid waste incinerator (MSW).

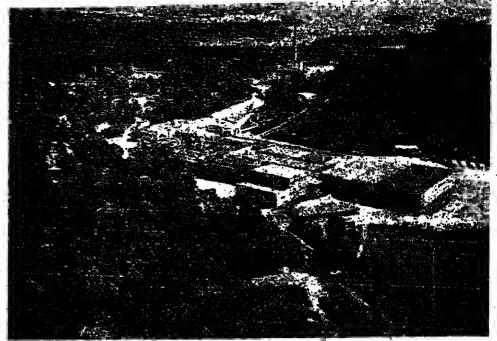
The project's backers claim the process saves fossil fuel resources and reduces landfill requirements at a price that is both environmentally and economically acceptable. Tests at plants in Sweden

and Finland have shown that the process is technically viable. Now the challenge will be persuading local authorities and power plants throughout Europe to adopt it.

If they do, as much as 30m tonnes of the 50m tonnes of comhustible packaging which Europe consumes every year could be used for power generation. That is more than four times the current level, and would represent a saving of 14m tonnes of oil worth £1hn. The initiative is being promoted by the Association of Plastics Manufacturers in

Europe (APME), with support from a number of plastics and packaging manufacturers and the Finnish government. Combustible used packaging. when converted into a fuel, has a higher energy value than peat, wood or brown coal -

plastic is, after all, made from The basic prodoct, refuse-derived fuel (RDF), is municipal solid waste from which food, glass and metals have been removed. It has a net calorific value of 15 megajoules per kilogram, compared with the 10 MJ/kg rating of ordinary municipal solid waste. Packaging-derived fuel (PDF) is a refined, drier, version of RDF,



Running on rubbish

Christopher Brown-Humes on a plan to exploit the high energy value of waste packaging

with a 20 MJ/kg calorific value. The idea is to use the packaging as a co-fuel, rather than on its own, because quantities of RDF and PDF are relatively limited and plants would probably need to spend more on changing the combustion chamber and modifying fluegas cleaning equipment if the proportion of RDF/PDF feed were to rise above 30 per cent.

"In most areas there will never be enough PDF to feed a plant. But there will he a power plant that is able to take all the PDF waste in an area as some 5 per cent to 20 per cent of its feed," says Martin Frankenhaeuser, a project manager in plastics and the environment at Borealis Polymers. He says the technique brings energy from waste within the scope of small local authorities which usually do not have access to an MSW incinerator.

At the Kanttua combined heat and power plant in Fin-land, RDF/PDF has been used as a substitute for coal in trials over the past year. The tests have demonstrated that packaging can be used as a substitute fuel without higher overall emission levels and without

damaging equipment.

Reduced coal use has cut sulpbur dioxide pollution; how-ever, the higher plastics content has increased hydrogen chloride emissions. Chlorine is present in substances such as the main reason that the combustion equipment is being so closely inspected for signs of

Supporters of RDF and PDF combustion say it fits in well with the broader recycling

According to Fred Mader,

deputy director general of APME, combustion and recycling are different solutions to the problem of plastics waste, rather than alternatives.

"Recycling can maximise the environmental benefit of recovering plastics bottles and containers. But there is no benefit from collecting, sorting and cleaning lightweight plastics films," says Mader.

One reason for believing the initiative has a future is the increasing political resistance to the hurning of unsorted waste in municipal solid waste incinerators. Older MSW

Would power plants be prepared to pay for waste packaging?

plants have been condemned on both economic and environ-

mental grounds.
This had led plastics industry experts to suggest that, in future, building plants capable of using RDF and PDF as a majority fuel may be more attractive than constructing additional MSW incineration capacity. But this applies only to densely populated areas where volume of supply could be assured.

An important issue will be cost. Kauttua has not had to significant outlays because it has a suitable "fluidised bed" boiler technology and because it already has a suitable feeding system, handling waste paper from a

Other power plants are likely to have to install a receiving area and feeding line for the they could also have to make much more substantial investments, particularly if they do not have "fluidised bed" boil-

Assessing the scale of such investments is just one of the tasks for the APME to consider when it studies the potential for packaging combustion in power plants in five countries the UK, France, Germany, Italy and Sweden - in the coming months.

It will also have to take into account the fact that many European countries do not have well-developed networks for separating types of waste. Establishing one would imme-diately create an extra cost

There is also the vexed issue of who pays. Will power plants accept the plastics industry's contention that packaging fuel has a positive value, because it is cheaper than coal, and because savings on raw materials would more than cover additional installation, operation and maintenance costs. In other words, would power

plants be prepared to pay for waste packaging?

It is a question that will almost certainly have to be taken up in the broader context of recycling and landfill

Mader stresses that there is a long way to go, not least because the public tends to link incineration with pollution. This will inevitably complicate the task of securing changes to current legislation. he says. But he still believes that up to 15 per cent of Europe's plastics waste could be used for energy recovery by

aga::



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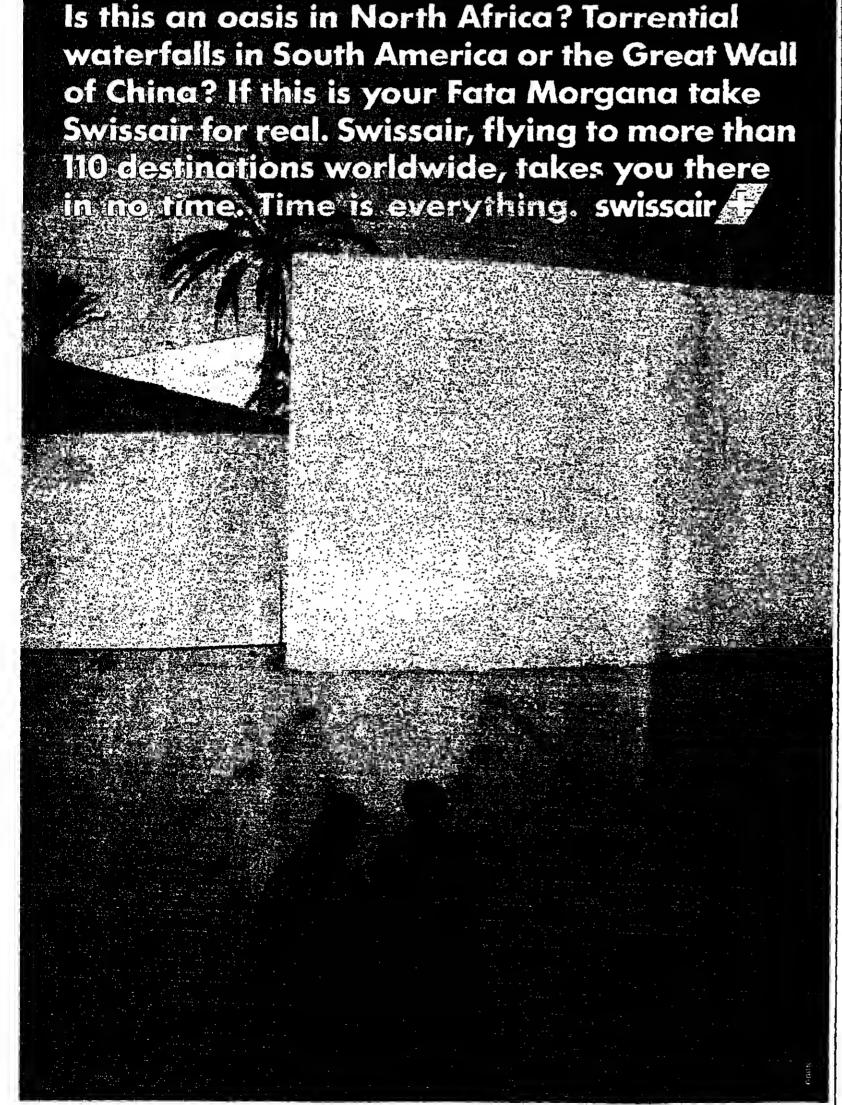
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FINANCIAL TIMES WEDNESDAY MAY 4 1994

NEVER AGAIN?



AGAIN. After Cambodia the world said, 'Never again', yet today in Rwanda there is genocide.

Oxfam does not use the word genocide lightly, but there is no other way to describe the mass slaughter happening right now. Men, women, and children are being systematically hunted down, tortured, and killed. The rivers are choked with bodies.

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We have not witnessed such horrors since the Killing Fields. And again, like Cambodia, the people who can do something to stop the bloodshed are not doing enough.

At the height of the killing the UN cut its peacekeeping force to 270 men. When the Belgian UN troops were withdrawn they tore up

their blue berets in disgust.

We share their outrage.

Half a million people, mainly Tutsis, face imminent death. Over 200,000 are already feared dead. Thousands more are dying every day while the Security Council dithers.

11

What is happening in Rwanda is a crime. The apathy of the world is criminal.

We believe Britain must use its seat on the Security Council to call for effective UN intervention in Rwanda, now. How many more people must die before something is done?

Will we have to say 'Never again' again?



On the road to procrastination

Adrian Furnham offers tips on how to perfect your decision-avoidance technique

decisions causes considerable stress Psychologists in the 1960s made monkeys develop stomach ulcers and other signs of corporate stress simply by forcing them to make decisions. In the now notorious 'executive monkey" studies, otherwise carefree animals had to choose between options with significant physical consequences such as electric shock. The consistent monitoring and worrying led them to become ill.

And so it is with the modern manager. Told constantly about the importance of change, development, customer satisfaction etc. many middle and senior managers long for a period of stability or as the prayer-book has it, "eternal changelessness". The stress of decision-making

quite naturally leads to the development of numerous effective decision-avoidance techniques. Without doubt, the most popular is to appoint a committee to help the delaying tactics. A good decision-avoidance committee is a group of people who individually prefer to do nothing and who collectively can meet and decide that nothing can be done. Furthermore, the possibility of evoiding a decision increases in proportion to the quare of the number of members of the committee.

Committee behaviour positively facilitates decision-avoidance. Thus, as Parkinson observed, the time spent on any item on the agenda is inversely proportional to the sum of money involved. Committees handie trivial matters promptly; the important issues are delayed and rarely solved, But from the delay perspective there is always one sure result; if a committee meets over a long enough period of time, the meetings become more important than the problem they were intended to solve.

People are unused to thinking in groups - they talk, argue. adjudicate, compromise, joke -but they do not think. In consequence, a really new creative idea tends to destabilise groups and upset consensus. The

committee is thus a group which is impelled to agree and is instinctively hostile to that which is divisive or new.

is the "more details please" approach. The person requesting a decision is asked to provide

more specifically the reason for,

and the nature and consequences

of, the possible options available.

decision-requester as a fisherman

clarification is potentially endless and had nothing to do with

exhausts a great marlin at the

end of a line. The request for

actually gaining information.

a command of consultant

Most requesters eventually give up and thus no decision is made.

The double-talk method. This

method is favoured by those with

psychobabble or consultant-speak.

The use of management jargon can easily confuse those not fully

language. Try: "But that's against

conversant in this ambiguous

the delayering, re-engineering

does that square with

The aim is to confuse the

ethos of this company" or "How

empowerment quality-circles?".

The denial method. Delay is the deadlest form of denial but

also the most primitive. By

denying that a decision has to

requires change can be very effective. Said with the square-jaw

of "they shall not pass", the denial technique, if consistent, has been

be made and that a situation

known to be highly effective.

shorty" method. This method is

to the requester. The idea is to

in developing the appropriate

degree of hauteur. Handing the

problem back to the requester

needs to make them feel they

decision for themselves.

Kiam, who noted that

natural assassin". But

procrastinate - learn a

should either be adapting to the

current situation or making the

Some might side with Victor

"procrastination is opportunity's

decision-avoiders are more likely

to believe Thurber's "He who

decision-avoidance technique

hesitates is often saved". Don't

to hand the problem straight back

make them feel weak, selfish, even

demanding, but this requires skill

• The "that's your problem

This analysis paralysis method

is almed at exhausting the

Failing the decision-bycommittee avoidance tactic, individuals can resort to their own preferred approach. These evoidance techniques can be used by the same individuals in different situations with equal effectiveness, depending on the type and consequences of the decision and personality of the decision-taker. Probably the six most favoured methods of avoiding a decision are: • The temper-tantrum method. Here the decision-avoider regresses to the behaviour pattern



of a spollt two-year-old. Call the decision-requester names, stamp the foot, appear outraged or possible weep with indignation. Often the surprised and embarrassed requester will immediately step down.

• The hush-hush method. Call the requester to one side, and in a conspiratorial stage whisper, point out that he/she is rushing in where angels fear to tread. Suggest that they clearly don't understand the latest company figures, the real wishes of the CEO, the contents of the secret corporate plan etc, and that requesting such a decision will make them look naive, even idiotic. Threatened with this sort of career-limiting move, most decision-requesters will back off. The clarification method. This

he problems facing IBM's personal computer business have been highlighted this week with news of another imminent shake-up in top management. Yet the operating challenge for IBM is better illustrated by recent changes at its giant manufacturing complex at Greenock in Scotland

The aim of this reorganisation to focus more on the needs of the customer - merely brings the company into line with its competitors. But the scale of the transformation has been formidable, for the Greenock site is Big Blue's higgest manufacturing site in the world for personal computers.

Whether the changes will be sufficient to restore this IBM business to healthy profitability remains to be seen - the personal computer market after all; is notorious for its volatility, for tiny margins and for the tendency of competitors to rise from almost nowhere and gain mar-

What cannot be denied is that in the past 18 months the seemingly unwieldy IBM facility at Greenock has greatly reduced its unit manufacturing costs, while increasing the

volume of output by 50 per cent. The improvement followed the restructuring in September 1992 of IBM's \$9bn (£5bn) PC business, with the setting up of a semi-autonomous company called IBM PC. It also involved a more radical approach than the sort of job cutting which marked IBM's productivity gains in

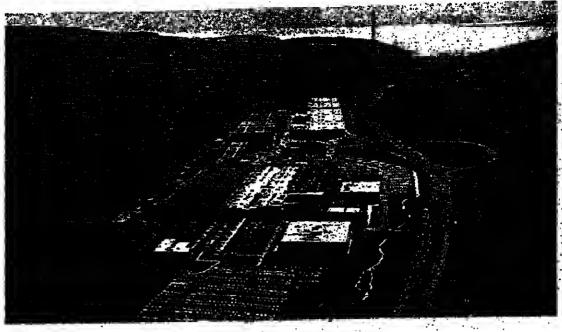
Despite this, IRM's leading share of the European PC market, which had touched 15 per cent in 1990, had been eroded to about 12 per cent by cut IBM on price for broadly similar products, and responded more

speedily to orders. IBM PC was set up in response to these pressures. Greenock, which is almost entirely run hy Scots, took over the distribution of PCs in Europe, the Middle East and Africa, and 14 distribution operations in different countries were wound up. Previously the country subsidiaries, such as IBM France, had given Greenock a forecast of their needs and then stockpiled computers when they arrived from the plant.
"We used to ship to plan," says

Bob Beaty, director of manufacturing and operations at Greenock, "regardless of actual demand or what the individual customer wanted. We then realised that we had to ship to order."

Companies such as Dell in the US and Vohis in Germany had already begun manufacturing to order. But IBM faced the particular challenge of achieving change in a very largescale manufacturing operation and over such a far-flung distribution

Greenock began the process with



Unwieldy giant reborn in a glen

James Buxton explains how IBM's Greenock plant increased output while lowering manufacturing costs

its Valuepoint range of low-priced computers, then moved on during 1993 to the PS/1, PS/2 and Thinkpad notebook ranges. Beaty says the plant can now ship a product within 10 days of receiving an order.

The orders come in from dealers, country subsidiaries or even individuals. "The printer churns them out 24 hours a day," he says. "We might get an order for 400 Valuepoints all of the same configuration, but they could all be in different permutations. The customer might want his applications software preloaded in the factory."

The plant, he says, can now respond to those demands. The complexity of the business is not the manufacturing, it is the logistics. This is more of a logistics machine than a manufacturing

A smooth components flow is essential to the successful running of the Greenock plant, though many high-value items are common to many product lines, reducing the diversity of the stocks needed. Beaty attributes the cost savings to two factors: a higher degree of verti-cal integration in the plant than suppliers who are either a few dozen miles away or at least in the

About half the mother boards which power the computer are loaded with their tiny components inside the Greenock plant. The rest come from six outside suppliers, four of them in other parts of central Scotland.

Some 50 per cent of all monitors are made in the plant, with the rest coming from two local suppliers: Keyboards are made on site. Some assembly and testing of computers is carried out by contract manufacturers nearby.

While many European computer makers import about half their components from the Far East, Greenock depends for 40 to 50 per cent of its inputs on businesses based in the UK. It brings in just 15 per cent from the Far Rast, with the rest coming from Europe and a small amount from the US.

"We can compete against the Far East with UK costs," says John McClelland, Beaty's superior who has overall responsibility for supplying not only Greenock'e market area but also Australia and many of its rivals; and the fact that Japan. "Raving a local supplier

it draws many of its inputs from .base is a pretty valuable resource." Beaty acknowledges that the change to manufacturing to order has been "extremely difficult, but we feel much more in touch with

what's happening at the customer end. That is vitally important." Greenock executives say that since the plant switched to manufacturing to order it has cut its inventory by 25 per cent in absolute terms, while output has risen by between 15 and 20 per cent a year. The cost of what IBM calls "fulfilment" - the processing of orders and the delivery of the product to the customer - has been reduced by two-thirds.

McClelland will not give financial details of Greenock's performance, though Jerry York, chief financial officer of IBM, acknowledged recently that its margins on PCs were lower than those of competi-

McClelland says that thanks partly to reductions in production costs the company has been regaining market share in Europe in the past year and a half, and quotes an estimate by industry analysis Dataquest that its share of the worldwide PC market rose to 13.6 per-

CONTRACTS & TENDERS

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTION 10(7) OF THE

A licence to run telecommunication systems under section 7 of the Telecommunications Act 1984 has been granted to Telecom Securicor Cellular Radio Limited.

 The Secretary of State hereby gives notice: (a) that he has duly reconsidered the proposals in respect of which he published a notice on 30 December 1993 under subsections 8(5) and 10(6) of the Telecommunications Act 1984 ("the Act") regarding his intention to grant a licence under the Act to Telecom Securicor Cellular Radio Limited ("the Licensee") to run

nunication systems throughout the United Kingdo (b) that he has granted such a licence ("the Licence") to the Licensee, being a licence which includes conditions such that section 8 of the Act applies to them, thereby making the Licensee eligible to have the Telecommunications Code contained in Schedule 2 to the Act applied to it under section 10 of the Act:

(c) that he has applied the Telecommunications Code ("the Code") to the Licensee throughout the United Kingdom. The application of the Code to the Licensee is subject to certain exceptions and conditions. The effect of these exceptions and conditions is that

l. to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for any purpose;

it to comply with conditions designed to ensure efficiency and economy on the part of the Licensee, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of its apparatus; iit to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and, where appropriate. English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers; ly, to keep and make available records of the location of underground apparatus

and copies of exceptions and conditions in the Licence to the powers under the v. to ensure that sufficient funds are available to meet certain liabilities arising

from the execution of street works 2. The Secretary of State has applied the Code to the Licensee: (a) because the Licensee will need the statutory powers in the Code to install and

maintain the telecommunication systems which are to be installed and run under the (b) subject to the exceptions and conditions referred to above because they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to fand than necessary, that the systems are installed as safely and economically as possible, and that the Licensee can meet (and relevant persons can enlorce) liabilities arising from the execution of works.

3. The Secretary of State has granted the Licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.

unication services. 4. The Licence has been granted for a period of 25 years in the first instance and is subject to revocation by the Secretary of State on 30 days notice in the circumstances specified in the Licence.

5. Copies of the Licence may be obtained from the Office of Telecommunications (Library),

50 Ludgate Hill, London EC4M 71J, price \$16.00 each, postage and packing free.

L Becch (Miss) Department of Trade and Industry 4 May 1994

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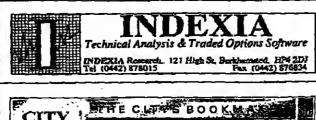
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CITY

INDEX

EUROPEAN SMALLER COMPANIES FUND SICAY

> 8, Avenue Marie-Thérèse R.C. Luxembourg No B 20093 DIVIDEND NOTICE

By resolution of the Annual General Meeting held on April 26 1994, a dividend of ECU 0,047 per share class "A" and per share class "B" is declared payable on or after May 6, 1994 to registered shareholders on record on April 25, 1994, and to holders of bearer shares upon presentation of coupon No 10. The shares are quoted ex-dividend as from April 28, 1994.

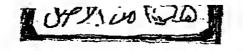
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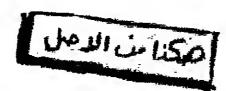
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NIPPON MEAT PACKERS, INC. CDRs Referring to its advertisement of 1 April 1993 the undersigne announces that Bonusdividend no. 20 of CDRs Nippon Meat Packers will be payable in cash with USS 140.49 per CDR repr. 100 shs and with USS 1.404.90 per CDR repr. 1.000 shs. at Kas-Associatie N.V., Amsterdam and Krediet Back S.A. Luxembourgeoise in Luxembourg,
Further the undersigned announces that at Kas-Associatie N.V. and

Krediet Bank S.A., Luxembourgeoise in Luxembourg div.cp.no. 21 (accompanied by an "Affidavit") of the CDRs Nippon Meat Packers Inc., will be payable with US\$ 9,48 per CDR, repr. 100 shs and with US\$ 94,80 per CDR, repr. 1.000 shs. (div. per rec-date 31.03.93; gross Yeo 15,5 per Sh.) after deduction of 15% Japanes tax = Ycn 232,5 = US\$ 1,67 per CDR, repr. 100 shs and Yen 2.325.- = US\$ 16.70 per CDR, repr. 1.000 shs. Amsterdam, May 2, 1994

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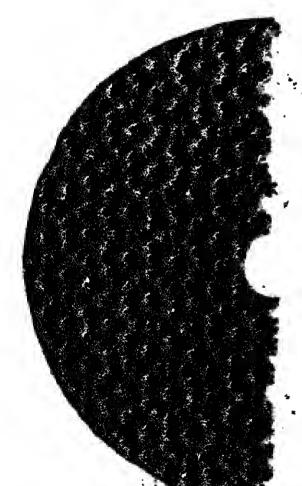
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PEOPLE

Computer People choose Roger Graham as new chairman

Computer People knows a thing or two about recruitment despite its somewhat lacklustre performance of late. The London-based computer consultancy, which is now back in the black after making a small loss in 1992, is undoubtedly patting itself on the back for having snapped up Roger Gra-ham as non-executive chair-

Graham, right, on the brink of 55, is one of the leading lights of the UK computer business. A former president of the Computing Services Associa-tion and chairman and chief executive of the BIS Group before its acquisition by Bir-mingham-based ACT last year, he has been in the computer business since 1962.

He has not let the grass grow under his feet since leaving BIS. Last week be was appointed non-executive chair-man both of Mantix Systems, which specialises in advanced business management and of Braid Systems which develops messaging software. Both are small, interesting companies with novel products.

David Cobb, 58, a naval

architect, is to take the helm of

James Fisher, the Cumbrian-

based shipping group, which lost £5.6m pre-tax in its last

He is expected to take over as full time chairman after the

company's annual meeting this

Fisher has been seeking e new chairman for several

months following the depar-

ture of John Hornby, who is

understood to have been forced

out by shareholders unhappy

with the company's perfor-

mance. Charitable trusts own nearly

half the company's equity and

their income has been sharply

reduced following the compa-

ny's failure to pay a dividend.

director of Cochranes of Selby, chairman of Rowbotham Tank-

ships and was chief operating

officer of Ingram International in the mid-1980s, He will move

Crestacare, the UK's third

biggest private operator of

his home to Barrow,

Cobb has been managing

financial year.

bridge University where he crossed paths with several other individuals who became luminaries in the UK computing services business. He says, however, that his chief inter-

ests as e student were rehearsing politics, an interest he still



Shipping group recruits new helmsman

Business Mechines as e systems engineer, made his

nursing homes, has made some board changes, promoting James Ramsay, 35, to be group

finance director; he joined the company in 1986, becoming

group financial controller in

1939. He succeeds Geoff Crowe,

who remains company secre-

The group now manages 37 nursing homes with 2,264 beds located in the north of

England, northern Ireland and

The group has picked up

recently, converting a 1992 loss

of £1.58m to pre-tax profits of

£341,000 in 1993, despite e num-ber of managerial upheavals

and withdrawing from prop-

erty activities. Andrew Taee,

chief executive, recently pre-

dicted the company "will

bloom" in 1994. The group is

looking at all areas of

from his non-executive direc-

■ Mark Ellsmore has been

appointed to the new full-time

post of executive director -

Colin Brown has resigned

long-term health care.

torship of the company.

to BIS where he stayed for 24

Graham's entrepreneurial spirit remains bright; he talks enthusiastically of the opportunities in networked desk-top computers. The prerequisites for a new venture would be, however, "the right opportunity and the right people".

■ Videologic, a subsidiary of Avesco, has appointed two non-executive directors. Geoff Shingles, 55, was formerly chief executive of Digital Equipment since 1983 and its chairman since 1991, having been with the company in e variety of roles since 1965. Keppel Simpson, 60, spent 25 years Management Consultants PA Consulting group.

■ Tom Brockbank, 56, has been appointed non-executive chairman of Computerised Financial Solutions, the USMlisted company which provides computer support and administrative services. He was with Hill Samuel - where he was joint head of the smaller companies advisory team - for 20 years, before taking early retirement in 1993.

Asia Pacific at TI Group, the

specialist engineering concern.

months after TI announced it

had reached agreement with

the Sembawang Group, a lead-

ing Singapore-based industrial

conglomerate, to develop basi-

ess opportunities in the Asia

Pacific region.

TI said Kilsmore, aged 44, would pursue this initiative

and ensure appropriate group

resources are allocated to other

strategic opportunities in the

The company believes the

Asia Pacific offers strong

growth opportunities for all

three of its core buinesses,

John Crane, Bundy and Dowty.

1998 and became finance direc-

tor of John Crane International

He will report to James Roe,

director of strategic develop-

ment, who said Ellsmore's

background in finance and

marketing and his interna-

tional experience made him particularly well-suited to his

m 1992.

Elismore joined TL Group in

The appointment comes two

No Roche at Morgan Stanley

One of London's more charismatic market strategists, David Roche, 47, is leaving Morgan Stanley International; where has has established a reputation for forthright and accurate analysis and research covering areas as diverse as the ERM and the internal problems of the former Soviet Union.

With Morgan Stanley since 1987. Roche is now setting up his own research bureau Called Independent Strategy

and based in Bond Street in the heart of London's west end, the new company will produce briefings and generate investment ideas for fund. managers, in exchange for consulting fees.

Roche says the break away from Morgan Stanley is hap-pening on the very best of erms. As evidence of that, his erstwhile employer is to be one of Independent Strategy's first and biggest clients.

Moreover, the move should suit both Roche and Morgan Stanley: "It's absurd to think in this day and age that all research should be conducted -house. I am moving from being Morgan Stanley's in-house general practitioner to being its external special-

ist," he says. Roche argues that his strat-egy as an independent will be somewhat different, in that it will allow him and his coleagues to give a much tighter focus to their research and

At Morgan Stanley Roche played e key role in re-organ-ising the bank's method of research and analysis, forming industry teams from the previous geogrephically-based

Among his more famous pre dictions was that the Berlin Wall would fall, but he has also made a name for himself by being particularly outspoken on east Europe and the European Union's exchange rate mechanism.

Before joining Morgan Stan-ley Roche worked for J P Morgan as a portfolio manager looking at international asset allocation.

His only worry in the new role is physical - he will be cycling much less than his current impressive daily round trip from west London to Canary Wharf,

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Dance/Clement Crisp The Moscow **Festival** we James - Fr Ballet

e are witnessing, albeit from a distance, the worst crisis in Russian ballet since the Bolshevik Revolution. Then, for nearly a decade, ballet had to fight to survive and justify itself in a new society. That it did so, manacled by the doctrine of socialist realism, and flourished, says more for the grand aspirations of the Russian spirit than than for socialism. Now, without the sanctions - or the support of the former regime, Russian ballet must seek to retain its dignity, must adjust to new market forces, must go into the mar-ket-place, and must, ultimately, regenerate for a new era.

So the great companies tour, playing their traditional repertory in ever bigger and less convincing arenas, haemorrhaging dancers and teachers, living off an aesthetic that has faded with the commissars. So smaller and opportunistic ensem-bles are formed, trading on the West's belief that the words "Russlan" and "Bal-let" are guarantee enough of quality. That they are not has latterly been all too clear: I have found little to admire in performances by such outfits as Moscow City Ballet, with its rickety classical stagings in tremulous performance.

It is pleasing, then, to welcome Moscow Festival Ballet, returned for a third visit to smaller regional theatres. The company has 30 dancers. Its repertory offers gems from the classics – at best, the second acts of Swan Lake and Giselle – but its director, Sergey Radchenko, whom we remember with the Bolshoi, has recruited inter-esting soloists, and his dancers are well-trained. (None of those innocent bodies who look as if they should have been in bed - or hallet class - hours ago). The added cachet is the presence, as in previous visits, of Lubov Kunakova, a guest ballerina, a real ballerina, from the Kirov. There results an evening, as I saw at the Beck Theatre in Hayes on Monday, night, which neither cheats the public nor the idea of Russian ballet. Staging is basic - the Hayes lighting was, one might say. unco-operative - but the second act of Giselle which opened the evening was absolutely credible, absolutely what it purported to be, a comment I would be reluctant to make about other stagings, both here and abroad. After the initial shock of Hilarion's entrance - he goes mad alone on stage before our very eyes the text and the performances were serious, in the case of Kunakova, we were given an interpretation of complete authority. A sense of tradition (that mysterious quality that makes the dance seen. inevitable), eloquent lyricism, showed us Ciselle as it ought to be shown - by a bellering mistress of her art. It was in many ways an "old-fashioned" perfor-mance - this is where tradition speaks most clearly about how each incident. each dance phrase, must be shaped - and I thought it commanding, true. The Albrecht, Alexey Kremnyov, was promising, but still finding his way into the role. The Myrtha, Saule Rakhmedove, and her willis, were good. The Beck stage is shallow, but the production (even with taped accompaniment) made one forget this. As in those long-gone days when I used to go to the Mercury Theatre and see ballet crammed on to a six metre-square stage, I

The second part of the evening fl saw one of two programmes which vary in their components) was given over to divertissement numbers. The Pas de Quatre looked coy - Taglioni as a nervous hostess - and a pas d'action from Esmeralda was a dark moment of the soul, but in Marina Alexandrova there was an Aurora of distinction, having a lovely seriousness for the last great duet, while as fireworks we had the Solovyov-Sedoy Gopak, and the Spring Waters duet, whose costumes (pale green chiffon outflits for him and her) suggest mad cross-dressing but whose athleticism is of Olympic standard. One reproach: there was no indication of the night's casting from a list of alternative names in the programme. The public is owed this courtesy.

believed. There is no greater tribute.

Moscow Festival Rallet tours until May







Candidates for banishment to outer darkness? David Bellamy, Cilla Black and Steve Rider: self-indulgent, naff and gung-ho respectively

Unsullied by wit, taste or quality

oon, we are told, our homes will be bombarded by hundreds of television charmels, including, possibly, some from other planets. I look forward to tuning into Planet Janet, But long before then, to help us chart a course through the videogrunge of hundreds of earthly channels, we will enter the era of

We will buy a black box that will channel-surf for us, selecting, recording, and, I hope, editing a nightly menu of programmes, or bits of programmes, that will cater to our specific tastes and needs.

I wish I had ME-TV now. By the longest of chalks, British television is the best in the world - so good, indeed, that I cannot keep up with it. If I had ME-TV now, it would do the job for me by analysing my viewing habits and noting my instruc-

tions. Despite the quality of British televi-

sion, much would be zapped, censored and

expunged. Here are 10 things that would be obliterated from MTN-TV: 1. Naffness, rubbish and condescension. erase, at a stroke, the whole of TFV, which is now realising its destiny as a petfood and tampon channel unsullied by wit, taste or quality. It is a channel for proles, to imprison them in naffdom. What a load of tosh it is, personified, for me, by such nightmarish visions as Matthew

Kelly, Michael Barrymore, Bruce Forsyth

and Cilla Black - especially Black, whose squalidness and commonness, calculated so precisely, is as malign as anti-matter. She should be shot into space, to expire in

Funnily enough, I like commercials, Federico Fellini once praised British com-mercials as mini-wonders, so once a week MTN-TV will screen a 30-minute carousel of the latest ads. 2. Violence. There will be plenty of (con-

sensual) sex on MTN-TV, but no violence whatsoever. I hate it desperately, especially in news shows, where producers' fondness for hospital footage of war-wounded children and other carnage is a form of pornography.

3. Charmel 4 News. It is apparently well-

regarded, yet it makes dreariness an art form; preciousness, too. It is not so much a news show as a 'phone-in-cum-seminar with snippets of news. I watched it last Friday. Presenter Jon Snow was still in South Africa, though there was no news to speak of. His first item, on the South Afri-can election, lasted 15 minutes and contained no news whatsoever. To learn what is going on, MTN-TV will rely on the BBC. 4. Medical programmes. I am decaying away nicely. The last thing I would want to watch is half-an-hour on the prostate. As genetics research makes more and more progress, it will be possible for us to were not going to win the ice-dancing gold

learn about the likely nature of our deaths. Not me. In the brave new world of MTN-TV, ignorance will foster happiness. Party political broadcasts. These will not be censored out completely. There was one recently for the Green Party that was rather good - intelligent, modest in its claims and free of the gallimanity of lies that constitutes the party-political offerings of the three big grey parties.

6. Steve Rider, presenter of Grandstand

Michael Thompson-**Noel** erases purveyors of small screen tosh

(BBCi). I watch quite a lot of sport, but the presenters have been lobotomised. These days, given the cost of buying the rights, sports presenters have jettisoned almost all objectivity. Ratings are every-Steve Rider. His eyes are horribly close together. That apart, I was staggered at the stupor of sulkiness into which he slumped at the Winter Olympics when it became apparent that Britain's Torvill and Dean - that pair of frozen pilchards -

medal. T&A were lucky to win the bronze. What Rider was doing there I could not

7. Soaps and situation comedies, I used to like Coronation Street (ITV), but can no longer find the time for it. On the other hand, MTN-TV will screen plenty of drama, films and current affairs. There is not much drama about at present, unless you count *The Lifeboat* (BBC1), in which Lynda La Plante, of *Prime Suspect* fame, is said to have had a hand. It is set, says the Beeb, "off the rugged Welsh coast." At first I wondered if they had shot it in Welsh, as another filmic sop to all those Welsh whingers with nothing better to do than blow np holiday cottages. They hadn't, though even in English I found its hairy-chestedness silly.

If there is not much drama about at present, there is a surfeit of first-rate documentaries. Q.E.D.; Plastic Fantastic (BBC1) was a marvellous account of the alleged discovery, by Maurice Ward, an eccentric ex-hairdresser, of a miracle plastic, a so-called "smart" material called Starlight which can withstand amazing heat levels and may save mankind from invasion by Planet Janet. Starlight HQ is a bungalow in Hartlepool. Some scientists, including Nasa's, seem impressed with Ward's claims. By some calculations, the invention is worth billions. But Ward is proving

Another excellent current affairs programme was The Disorderly House of Windsor (Channel 4), which put the boot in so effectively that I wondered if Queen

Elizabeth II and ber hapless family were not about to book one-way tickets through the Channel Tunnel to start life afresh in a small town in Germany. 8. David Bellamy. There will be a lot of wildlife programmes on MTN-TV. In time, our children's grandchildren will view the late 20th-century wildlife video library in

horrified amazement that we presided over the extinction of so many species. But I can no longer watch David Bellamy's self-indulgent antics. His heart is in the right place but his mannerisms – especially the leaping about on all fours – made Kingdoms in Conflict: The Owl and the Timberman (Channel 4), about the endangered northern spotted owl in Washington state, unwatchable

Weather forecasts. 10. Angela Rippon. She is the antithesis just as harmful.

Media experts and bankers to whom I spoke yesterday were delirious with excitement at the range of viewing likes and dislikes likely to be encountered on MTN-TV, and urged me to make it com-mercially available. I said that I might.

n the South Bank, a retrospective festival of Luciano Berio's music is well underway. "Ren-derings" - the label reflects Berio's penchant for doing things over again, both other composers things and his own - goes on until May 14 (a semi-staged BBC performance of his opera La vera storia). It is strange to think of this inquiring, playful, sensuous spirit as sud-denly belonging to a Grand Old Man. Actually his 70th anniversary is not this year, but next; so we may be in for the protracted kind of musical birthday party

that has enjoyed a recent vogue. On Friday Berio conducted the Hallé Orchestra in a programme that might have been designed to highlight his elusive twinkle, and his restless revisiting of old sites. First we had Twice upon ..., a new participation-piece designed for chil-dren from a half-dozen primary schools, with ten Hallé players to guide them through noisy high-jinks. Not so much a score, more a set of crowd-control directions, but there were upmistakable Berio

Berio roundly celebrated David Murray welcomes 'Renderings' on the South Bank moments: some suspended chords, luminously spaced just so, and his comic relish lez, Stockhausen, Barraqué, Nono, Mad-

for superimposing disparate ideas without letting them blend.

We also heard his officially-titled Rendering (1990), a respectful mock-up of late Schubert sketches (D.936A) for a symphony in D, with dreamy, celesta-iced interludes out of other late Schubert and Berio's own knight's-move fancies. Not quite enough of the one or of the other. I thought: Schubert's fragments too little fleshed out for a vital reconstruction, Berio's elaborations too shy and bitty to turn the whole thing into an honest post-modern exercise. But interesting, of course, and attractive; Berio is never less than

interesting or attractive. Among the famous post-Schoenberg in his early, conscientiously formal experi-

lez, Stockhausen, Barraqué, Nono, Mad-erna - Berio already had more of e premodern" oeuvre to his name than most. Only in the early 1950s, when he married a ground-breaking young artist, the American mezzo Cathy Berberian (their creative partnership survived his subsequent marriages) and began studying with Dallapiccola, did the new possibilities of atomality and serialism seize his imagination. So did the extra-musical allure of "semiotics", language as radically re-studied by Eco, Sanguineti and Calvino.

Though British critics have preferred not to examine that side of Berio too closely, it is no less central to his mature work than "pure" musical serialism. Even ments. Berio scores sounded more transparent and lyrical, more direct and often more mischievously inconsequent - more Italian - than anything by his Euro-revolutionary comrades. His fascination with procedures has always been leavened by his concern for the human voice, and what - m countless different ways - it can say.

Friday's main work was his "new" quasi-cantata Epiphanies, for mezzo and orchestra. This is Berio's latest, joined-up and presumably definitive version of what used to be his looser Epifanie sequence (1969), but was originally a set of brief studies (1959-62: Quaderni, "notebooks") for the overweeningly large orchestra that a lucky young composer could command in those palmy days. Berio soon wanted to interpolate vocal movements amongst

them. Sung, spoken or muttered, the "epiphanies" are drawn from revered Euro-authors (Proust and Joyce, Machado and Brecht); here, young Charlotte Helle-kant was superbly in command of Berberian's wide-ranging multilingual role. Re-adjusted by Berio's master hand, the

dramatic half-hour sequence of Epiphanies more exactly, its rhetorical succession of highs and lows, limpid breadths and gnomic compression - works a treat. It grips, surprises and convinces.

In detail, however, it seems more of an autobiographical music-album than a integral whole. The earliest Quaderni bits are impacted neo-Webern shards; they share few of their manners with Berio's later solo-voice effusions, when the challenges of his unadorned Sequenze forced him to seek plain, ground-level ways of develop-ing his music for ordinary ears. The fruits of that experience can be heard in the remaining concerts, and in particular the complete, astonishing Sequenze will be delivered by suitable virtuosi this Thurs-



■ BORDEAUX

MAY FESTIVAL Despite sweeping cultural cutbacks earlier this year, Bordeaux is going ahead with its annual May Festival, which opens on Fri and runs till May 20 at various halls, churches and chateaux. Alain Lombard conducts Orchestre National Bordeaux Aquitaine tonight and tomorrow in a Mendelssohn programme, followed by Mahler's Second Symphony on Fri and Beethoven's Ninth on Sat. Trio Sartory plays Beethoven string trics on Sun. Trinity College Choir on Mon presents a programme ranging from Lassus to Britten and Messiaen. Beginning on Mon, Bordeanx's ballet company presents a week of jazz-inspired choreographies. Britten Quartet gives a recital on Tues (5648 5854)

COLOGNE Opernhaus The main production this month is Macbeth with Alexandru Agache and Elizabeth Connell (May 6, 13, 15, 20, 23, 29). Repertory also includes a TanzForum production of Peer Gynt choreographed by Jochen Ulrich, and Ariadne auf Naxos with cast headed by Alexandra Marc, Barbara Kliduff and Peter Svensson (0221-221 8400) Philharmonie A six-week festival

entitled MusikTriennale 94 opens next Tues, embracing traditional symphony concerts, new music programmes and children's events. Quest orchestras include the Berlin Philharmonic and Chicago Symphony (0221-2801)

■ COMPLEGNE

The newly restored Theatre Impérial, 60km from Paris, is hosting four performances over the next two weekends of Ambroise Thomas long-forgotten opera Le Songe d'une Nuit d'Ete. Michel Swierczewski conducts a staging by Plerre Jourdan, with costumes from Royal Shakespeare Company (freephone 0503 1345)

■ LEIPZIG

Gewandhaus Fri: Saulius Sondeckis conducts Lithuanian Chamber Orchestra in works by Haydn, Mozart and Rossini, with violin soloist Gil Shaham. Sun: Simon Rattle conducts CBSO in symphonies by Tippett and Bruckner (0341-713 2280)

COPENHAGEN

Royal Theatre The final three weeks of the season bring performances of Der Rosenkavalier, Lohengrin and a new production of two Mahier ballets by John Neumeier (tel 3314

1002 fax 3312 3692) Tivoli The 1994 music programme is under way, with symphony concerts or recitals most nights. This week'e events include a performance on Sat of Cherubini's Missa Solemnis by Danish Radio Orchestre and Chorus under Elio Boncompagni (3315 1012)

FRANKFURT

Alte Oper Tonight: Ghena Dimitrova and Pasta Burchuladze sing Italian arias and duets. Tomorrow, Fri: Eliahu inbal conducts Frankfurt Radio Symphony Orchestra in works by Webern, Schoenberg and Schumann. Fri (Mozart Saal): Felicity Lott song recital. Sat: Saulius Sondeckis conducts Lithuanian Chamber Orchestra in Mozart and Rossini, with violin soloist Gil Shaham, Sat, Mon (Mozart Saal): Richard Goode plays Beethoven plano sonatas. Sun: Jukka-Pekka Saraste conducts Deutsche Kammerphilharmonie in Sandström, Schoenberg and Brahms, May 11-14: Metropolitan Opera Orchestra and Chorus under James Levine (069-134 0400) Jahrhunderthelle Hoechst Tonight, tomorrow: Cullberg ballet in choreographies by Mats Ek. Fri: extracts from Andrew Lloyd Webber musicals, Sat: Georges Prêtre conducts Bamberg Symphony

Orchestra in works by Bizet and

Prokofley, Mon: Pafael Frühbeck

de Burgos conducts Berlin Radio

de Lamocha, Tues: Simon Rattle

conducts City of Birmingham

Stravinsky, with piano soloist Alicia.

Symphony Orchestra (069-360 1240) Oper Sat: Frankfurt Ballet In

Orchestra in Fella, Turina and

and Amanda Miller. Sun: Guido Johannes Rumstadt conducts first night of Nuria Espert's production of Elektra, with cast headed by Janis Martin (repeated May 12, 15, 18, 29). Next Wed: Cornellus' comic opera Der Barbler von Bagdad (069-236061) English Theater Kaiserstrasse

choreographies by William Forsythe

Arthur Miller's play The Ride Down Mount Morgan, daily except Mon till May 21 (069-2423 1620)

■ GOTHENBURG

Konserthuset Tonight, tomorrow Sat afternoon: Neeme Järvi conducts Gothenburg Symphony Orchestra and Chorus in Verdi's Requiem. Fri; Murray Perahia piano recital (031-167000)

■ HELSINKI

Finnish National Opera The main event this week is the world premiere on Fri of Jorma Uotinen's new beliet Sonata in Glass, with music by Sibelius (repeated May 10, 18, 21, 28, 31). Repertory also includes Carmen, L'elisir d'arnore and La traviata (0-4030 2211)

HAMBURG

Staatsoper The main event this week is the premiere on Sun of a new production of Khovanshchina, conducted by Gerd Albrecht, staged by Harry Kupfer and designed by Hans Schavernoch, with cast headed by Olga Borodina and Matti Salminen (repeated May 12, 15, 20, 23, 26, 29). Repertory includes Le nozze di Figaro and two Mahler beliets by John Neumeier. Christa

Ludwig gives a farewell recital on Fri (040-351721) Musikhalle Visiting orchestras during the coming week are the Lelpzig Gewandhaus with Kurt

Masur on Fri and City of Birmingham Symphony with Simon Rattle next Wed. Dave Brubeck gives a concert tonight, followed tomorrow by Virtuosi Saxoniae. North German Radio Symphony Orchestra plays a Brahms and Rakhmaninov programme on Sun momina. Mon and Tues (040-354414)

LYON

Opéra Kent Nagano conducts orchestral works by Shostakovich, Ravel and Dvorak next Tues. Felicity Lott gives a song recital on May 18, and La traviata opens on May 19 for nine performances (tel 7200 4545 fax 7200 4546)

MUNICH MUNICH BIENNALE

Munich'e festival of new music-theatre runs till May 22. This week's premiere is Freeze by Dutch composer Robert Zuidam (b1964), based on the tale of Patty Hearst (tomorrow, Fri, Sat at Muffathalle). Next week brings Der blaue Stein by Paul Engel (51949). Benedict Mason's new football opera Playing Away receives its first performance on May 19 (089-48098 614) OTHER EVENTS Gasteig Tonight, tomorrow, Fri,

Sat: Hiroshi Wakasugi conducts Munich Philharmonic Orchestra and Chorus in works by Stravinsky, John Adams and Betty Olivero. Next Mon: Alexander Lazarev conducts

Bavarian Radio Symphony Orchestra and Chorus in a Wolfgang Rihm world premiere. Next Tues: Justus Frantz is pianist and conductor in a Beethoven programme with Sinfonia Varsovia (089-4809 8614) Staatsoper Fri: Cosi fan tutte. Sat: La forza del destino. Sun, next Wed: Salome with Gwyneth Jones, Tues: Don Pasquale. May 14-23: ballet festival with guests including Svivie Guillem and National Ballet of Canada (089-221316) **Deutsches Theater Ballet Teatro** Espanol presents choreographies by Rafael Aguilar, daily except Mon till May 15 (089-5523 4360)

OSLO

Konserthus Tomorrow: Emmanuel Krivine conducts Oslo Philharmonic Orchestra in works by Richard Strauss and Franck (2283 3200) Folketeatret Tornorrow, Sat: Heinz Fricke conducts Mike Ashman's Norwegian National Opera production of Das Rheingold, May 14, 19: Die Walkurs (2242 7724)

■ STOCKHOLM

Berwaldhallen Tonight Lelf Segerstam conducts Swedish Radio Symphony Orchestra in works by Sandström, Chople and Revel, with piano soloist Angela Dome (08-784 1800)

Royal Opera Tomorrow. Fri: Swedish Ballet School presents Konstantin Damianov's production of Coppelia, Next Mon, Tues, Wed. Thurs: video of the Barenboim/ Kupfer Ring at Bayreuth (08-248240) Konserthuset Mon: Murray Perahia plano recital (08-102110)

ARTS GUIDE

Monday: Berlin, New York and Paris. Paris.
Tueaday: Austria, Belgium,
Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinevia.
Thursday: Italy, Spain, Athens, London, Prague. Friday: Exhibitions Guide.

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MONDAY NBC/Buper Channel: FT

TUESDAY Euronews: FT Reports 0745,

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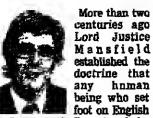
Reports 1230 FRUDAY NBC/Super Channel: FT Reports 1230

Sky News: FT Reports 0230,

2030

SUNDAY NBC/Super Channel: FT Reports 2230 Sky News: FT Reports 0430

Edward Mortimer



soil automatically enjoyed the rights of a free man under English law. First and foremost among those rights is the one enshrined in the Habeas Corpus Act, passed in the reign of Charles II, which forbids the detention or imprisonment of anyone unless due cause is established in court.

But Lord Mansfield's doctrine took a severe knock when parliament passed the Immigration Act in 1971. That law gives immigration officers the right to detain anyone arriving in the UK for as long as it takes to decide whether that person has a right to enter the country and, if not, whether he

should be given leave to do so. Under this provision, people can be detained indefinitely. There is one person now in HM Holding Centre Haslar (a prison near Portsmouth) who has been in detention for a year and four months - and even that is not the record.

After visiting Campsfield Detention Centre near Oxford earlier this year I received many telephone calls from people held there who have requested political asylum. One of them, Appolinaire Egny a computer technician who defected from the ruling party in the Ivory Coast, and fled the country after his brother was arrested last autumn - wrote me a letter of such eloquence that I felt I must try to help him. On the advice of the Refugee Legal Centre I sent a fax to the chief immigration officer at Heathrow airport, where Mr Egny's file is kept, asking that he be spared further detention and offering to have him as a bouse guest pending a final decision on his case.

In reply I got a courteous phone call. The officer regretted he could not grant temporary admission to Mr Egny at this stage, "for reasons I am not at liberty to disclose", l asked if Mr Egny's lawyer was aware of those reasons. "No. It's not our policy to give reasons. Our powers are discre-

The officers of Charles I or Charles II could not have put it better. As for Lord Mansfield he must be turning in his

Free to be held captive

Britain's tough immigration laws are unfair and carry an economic price

If Mr Egny had been arrested for a crime, the police would have had to convince a magistrate that there were good reasons to remand him in custody; otherwise be would be entitled to bail. But the Bail Act does not apply to people held under immigration law.

To such complaints there is standard reply: 'If you don't like it you are free to go"; that is, to be deported to your country of origin. But that begs the question which is being examined, namely whether the applicant can safely return

The UK 'has failed to reap the economic benefits from selective skilled migration'

home, "Alas," wrote Mr Egny in his latter to me, "today, if I could return home I would, with fanfares and hymns of joy." But to do so "would be bold to the point of madness". The same catch 22, or a similar one, has overturned Lord Mansfield's judgment even

more directly. There are people in Britain today who are to all intents and purposes slaves. They are domestic servants whose passports are in their employer's possession. In some cases they do not even have passports of their own, but enter the country on their employer's passport, as if they were his or her child. They work up to 18 hours a day for very low wages, and sometimes are not allowed out of the house or flat for weeks on end. In most cases they dare not complain, for they know that if their employer dismisses them they have no right to be in the

country, and therefore no

chance of finding any other legal employment.

Mr Dudley Fishburn, a Tory MP, went to the Home Office last week to try to win some protection for these people. But any protection they are offered will be meaningless unless it includes the right to stay in the country and seek work. Their situation is only an extreme form of the jeopardy in which millions of illegal immigrants live throughout the industrialised world. Such immigrants frequently work in health and safety conditions far below the legal standard, but dare not complain for fear of being deported.

Thus tough immigration laws create a kind of apartheld between the legal residents of a country, who enjoy various human, civil and social rights, and the illegal residents who do not. Such laws also interfere with economic freedom. According to Allan Findlay, director of the Applied Population Research Unit at Glasgow University, "the UK government's negative attitude to immigration has sold the country short. It has failed to reap the economic benefits from selective akilled migration. foregone the investment and jobs which entrepreneurs could provide, and prevented companies from benefiting fully from inter-company

That is one of the conclusions of a recent study by the Institute for Public Policy Research*, which exposes the protectionist reflexes behind current British immigration policy. In trade policy the UK government is rightly sceptical of the notions that economic activity is a zero-sum game, that there is a finite pool of jobs to be shared out, and that rewards for foreigners necessarily mean losses for UK citizens. Yet those are precisely the assumptions that dominate immigration policy, and which are so unquestioned that Home Office officials approached by the IPPR could not even see "what purpose new research would serve". Ministers "had already decided what immigration policy should be," and "they doubted that ministers would reconsider their

approach". Perhaps new ministers are nceded, as well as new research.

*Strangers & Citizens. A positive approach to migrants and refugees. Edited by Sarah Spen-

The pressures on the world's pharmaceuticals industry have exploded into corporate action.

On Monday, Switzerland's Roche announced it would pay \$5.3bn for US drugs company Syntex. Yesterday, the Anglo-US company Smithkline Beecham said it was buying Diversified Pharmaceutical Services, a US company, for \$2.3bn. Within hours, US conglomerate Eastman Kodak said it wanted to sell its three healthcare divisions, including Sterling Winthrop, which have combined annual sales of

On the surface each deal looks different. SmithKline Beecham is buying a passport to the dispensers and prescrib ers of drugs. Roche will absorb a research-based company like itself. And Kodak is escaping from the industry entirely.

But they represent three distinct solutions to one problem: that drugs companies' profits in the industrialised world are undar pressure from governments, employers and insurance companies determined to drive down costs.

These pressures have been particularly acute in the US. The Clinton administration has proposed sweeping healthcare reforms in an effort to cut the cost of treating sick Americans - including the possibility of capping drug prices, a move which would alter the economics of drug development, which depend on high returns from

heavy investment. Though the reforms have not yet been fully debated, the price of drugs is already being squeezed. Those who ultimately pay for the drugs insurance companies who meet claims and employers who pay premiums - are employing intermediate companies, called healthcare management organisations or pharmacy benefit managers, to negotiate discounts with drugs manufactur-

Mr Jan Leschly, chief executive of SmithKline Beecham's since last week, yesterday out-lined four further causes for consolidation in the sector. Attempts by governments in Europe and Japan to control pharmaceuticals prices, which have depressed prices generally - even for drugs not specifically targeted.

• The trend towards generic substitution in which drugs buyers abandon a branded product in favour of a cheaper, unhranded alternative. This has been a particular problem refugees. Edited by Sarah Spen-cer. (Rivers Oram Press, £14.95) its in recent years were based

Daniel Green looks at the long-awaited start of restructuring in the international drugs industry

Remedies for a global sickness

largely on the success of an anti-inflammatory drug, Naprosyn. At its peak two years ago, Naprosyn's annual sales peaked at \$1bn, but in December last year, Naprosyn's patent protection expired, and its sales fell by more than 50 per cent in four months.

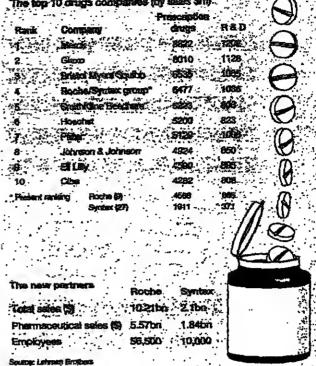
• Therapeutic substitution, in which a cheaper drug, often non-branded, is used on grounds of price. This could happen later this month when SB's ulcer treatment, Tagamet, loses patent protection and doctors could choose it over Glaxo's more expensive 2an-

· Escalating development costs. The increasing popular-ity of generic and therapeutic substitution means that many companies are focusing on trying to create unique products. As research into well-understood areas is dropped in favour of pioneer work, more scientists have to be employed and subsequent clinical trials are more expensive and

Most healthcare executives agree with this analysis of the pressures on their industry. But while they agree on the causes, the executives of Roche, SmithKline Beecham and Rodak disagree on strat-

Smithkline Beecham's purchase, Diversified Pharmaceuticals Services, is a pharmaceuticals benefit manager (PBM). Such institutions were born in the 1980s in the US with the aim of providing services to insurance companies and employers in their dealings with hospitals and drugs companies. Typically they process claims, offer ranges of drugs secured at discount prices and substitute generic alternatives for more expensive branded treatments

SmithKline's deal is an echo of last summer's \$6bn purchase by Merck, the biggest US drugs company, of drugs distributor Medco, whose business is similar to Diversified's, SmithKline began talking to Diversified's parent company, United Healthcare, in Angust 1993, just weeks after the MerckGlobal drugs industry: radical treatment The top 10 drugs companies (by sales \$m).



Medco announcement. Because of their direct contacts with purchasers and doctors, Medco and Diversified can promote their owners' drugs to doctors at the expense of rival offer-

Mr Leschly stresses that

Drugs companies are under pressure from governments determined to drive down costs

SmithKline's acquisition represents more than this, however. He says that the future of the healthcare industry lies not simply in treating diseases but in "managing them" for a set fee per person over a set period. With its acquisition of Diversified, SmithKline would become involved in all stages of looking after health, he

notice period from mutual funds laughable. First, he

wrongly assumes that mutual

fund managers have no ability

to anticipate redemptions and

take appropriate action. Sec-

ond, the market would move to

discount the ending of a partic-

ularly choppy period by looking at fund flows - and

could create the sort of volatil-

ity Mr Kanfman is seeking to

diminish. Third, his concerns

presuppose a "correct" level of

volatility to which the notice

period would encourage rever-

sion. I would love to see his

The reasons for Roche's takeover of Syntex are more traditional, with no overarching vision of a transformed world of healthcare. Mr Paul Freiman. Syntex chairman, save his company's pipelina of drugs in development has simply become too expensive for it to develop alone. The main drug in development is Myco-phenolate Mofetil, used to prevent rejection in organ transplant patients, which cost about \$50m a year, before

"At \$400m, [last year's R&D budget] we could probably not absorb all of the products in our pipeline if we kept the spending at that level. We had decided in our strategic plan that we needed alliances from joint ventures to buying small companies, to selling to a bigger company," says Mr Frei-

overheads and support".

Roche sees its acmisition of Syntex in an even more the beginning of a long-old-fashioned light it can cut industry restructuring.

Syntex's costs as it merges the operations of the two companies, and it gains access to drugs still in development.

Rocha is cagey about how many of Syntex's 10,000 employees will lose their jobs. it insists that the acquisition is only the latest stage in a sev-en-year strategy for US growth. This began in earnest in 1990 when it bought California biotechnology company Genentech for \$2.1bn.

While Genetech was the gateway to the latest science of biotechnology, Roche sees Syntex as a route to the US overthe counter drugs market...

OTC is gaining in importance as a means of making the patient pay directly for a treatment rather than through taxes, as in Europe, or insurance premiums, as in the US. Rocha is strong in OTC through its vitamins business and shuold be able to boost the sales of Naprosyn in the wake of the approval last month by the US Food and Drug Administration of an OTC version.

or Kodak, it appears that neither alliances nor acquisitions are the right solutions to the problem of falling drugs prices. Its way of addressing the turmoil in the healthcare industry is to bid it farewell.

The company wants to concentrate on its core businesses and its move yesterday is an acknowledgement that the \$5.1bn the acquisition of Sterling Drug in 1988 was an error. Eif Sanofi, Sterling's European partner, has already begun a strategic review with a view to buying all or part of Sterling. Asset sales of its own are possible, "given the size of a possible transaction." it

There is no shortage of potential deals in the healthcare industry while the pressures on profits remain. Companies in a similar position to Syntex include Upjohn, the US company which has seen natent rum out on its biggestselling products in recent months, for example on Xanax, an anti-depressive. Other potential buyers have the cashpile that Roche and SmithKline have been spending. Top of the list is Glaxo, the biggest European drugs company, which has yet to find a home for cash reserves of more than \$2bn. Chief executive Mr Richard Sykes said recently that he intends to do a deal in the US by spring next year.

This week's shake-out may be seen in retrospect as just the beginning of a long-awaited

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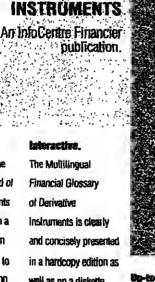
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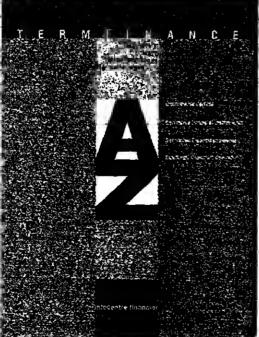
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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SEI 9HL Fex 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Investment thrives | MEPs must tackle issue of on instability

From Mr Mark Godridge. Sir, Barry Riley's concerns at the instability in markets created by US mutual funds flows ("American money brings new risks to markets", April 27) ignores real life and common

He reports that the financial economist Mr Henry Kaufman has "worries" about this instability - I would suggest that Mr Kaufman is pointing at the dragon in the cava but ignoring the gold it is sitting on. In the words of the billionaire investor Warren Buffet in his latest annual report: "True investors welcome volatility." The risks of instability create opportunities for those prepared to take advantage of them - the forced buying or selling by mutual funds coping with customer money flows is confronted in the marketplace hy those with the nous to anticipate and capitalise on it.

suggestions as to what this level should be. Perhaps Mr Riley's next article should be to examine how much money investors could have made recently by actively taking advantage of market conditions, rather than sitting around fretting about them like Mr Kaufman. Mark Godridge,

I find Mr Kaufman's sugges-tion of a \$0-90 day withdrawal | New York, NY 10128, US

More a kind of insurance policy

From Mr David Taylor. Sir, I suspect that the "naive faith" on the part of some senior Whitehall decision-takers ("Value for money", April 26) has far less to do with percelved need for outside, objective endorsement for significant projects than with a chartered accountant, desire to have someone to 31 Ston Hill, hlams and to get access to an | Bath BA1 2UW

indemnity insurance policy in the event of a failure. More is the pity, for, as you say, management consultancy properly and positively employed can prove excellent value for money. David Taylor,

unnecessary legislation From Mr Christopher Jackson lease for a new, unnecessary MEP.

Sir, Your editorial, "Europe's parliament" (April 3) makes many valuable points - notably that the parliament is "a case study in unwieldiness". However, the key problem to which you refer - our traipsing between Brussels and Strasbourg - is forced on us by the governments of the member states, including Britain. They have insisted that this costly and absurd state of affairs shall continue. Do not forget Luxembourg, too, the place MEPs never visit, but where parliament's main library is forced to remain; nor French blackmail over the elections to the European parliament, forc-ing a disgraceful signature by the parliament's president of a | Strasbourg, France

great benefit to the French. There is much to sort out. There are two crucial issues: increasing the effectiveness of our communications with industry in the early stages of consideration of the laws we make; and reducing (and repealing) unnecessary and costly legislation of which we have had too much in the past five years of the Labour-dominated European parliament.

Interest in this parliament is justified by its legislative power to affect lives, jobs and Europe's wealth. That is why the European elections on June 9 matter. Christopher Jackson, Palais de l'Europe,

Treasury's undignified retreat

Sir, The UK government's cultural bankruptcy and moral impoverishment is surely complete with the announcement that the Treasury is to sell up and beat an undignified retreat from the corridors of power "Treasury mandarins' cost controls strike home", April 29. "Des res for buyer with 260m", April 30).

From Mr Brian Gill.

The contrast with the Foreign Office could not be more complete. The FO stiffened its lips, tightened its belt, and produced what must be one of the most magnificent and uplifting

restorations of government buildings at home or overseas. demonstrating yet again its knowledge of the way the

wider world really works. By all means let the Trea sury mandarins send themselves and their servants off to the Lubyankas of Croydon or Docklands - many would claim they deserved no less: but hand the buildings over to some more worthy department that understands their worth. Brian Gill,

261 Grove Street, Depiford Wharf, London SE8 3PZ

Challenge to human resource management theory lacks evidence

From Ms Sue Fernie and Mr David Metcalf.

Sir, Mark McKergow (Letters, April 11) expresses concern about the fact that our measure of employee management relations is subjective. This is so: how can it not be? But the suggestion that human resource managers would be more likely to report worse industrial relations than tradi-Honal managers is mere speculation. After all, their whole raison d'être is to improve such relations. The fact that managers responsible for personnel report honestly is supported by the high correlation between their responses and those of worker representatives, which are almost identical across the | ners have been making major

relations in these work places. No one denies that the bottom line in human resource management (HRM) is profitability and financial performance; Duncan Brown (Letters, April 11) seems to suggest we do. But surely HRM is also supposed to produce good industrial relations? To the best of our knowledge ours is the first UK atudy that attempts to relate HRM practices to either industrial relations or economic outcomes. We shall be interested to see

the evidence alluded to by Mr

Brown that "HRM practitlo-

2,000 plus workplaces. This implies that our measure accustrides in fighting the British disease" (whatever that is). We rstely represents the climate of know of no other research which relates HRM practices to economic outcomes. Our own work suggests a

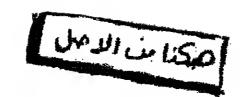
dichotomy. HRM appears to be associated with better economic outcomes in the workplace - higher productivity and better performance on the jobs front - but worse indus-trial relations outcomes higher number of resignations, higher absenteeism and less good relations between management and employees. Instead of making cheap points against empirical research Mr Brown should give us his evidence on this important topic.

is reluctant to admit that personnel biararchies exist in workplaces. They do - you only have to look at National Health Service trusts. But even in "flatter" organisations someone has to take decisions. Therefore it is important to consider what makes for good or bad relations. Our own work casts doubt on the self-serving idea that HRM techniques are the vision of the future, for better management/employee Sue Fernie

David Metcalf, Centre for Economic Performance. London School of Economics, Houghton Street, Tom Barry (Letters, April 11) | London WC2A 2AE

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FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Wednesday May 4 1994

South Africa looks forward

South Africa's transition from Mandela must also look beyond minority rule to democracy is his domestic constituency. A caresomething to celebrate. Not even the painfully inefficient election count can spoil an event of such moment and one whose signifi-cance extends well beyond the region. A stable, democratic and economically successful Sonth Africa might yet offer hope for a continent debilitated by debt, disaster and disease. It could even become a model for other coun-tries where ethnic and racial tensions present seemingly insuperable barriers to economic progress.

Fulfilment of these hopes will be as difficult as the transition itself, but South Africa has made an encouraging start. President F.W. de Klerk has left office with a grace that has enhanced his reoutation and augurs well for his expected role as second vice president. General Constant Viljoen. the former armed services chief, steered the conservative right away from confrontation and into the election. He deserves credit for defusing what could have been a

destabilising clash.

Above all, the president-elect,
Mr Nelson Mandela, leader of the victorious African National Congress, is preparing for office with the pragmatism and compassion that is his hallmark. With the grim legacy of apartheid all around him, he was right to strike a note of urgency in his victory speech on Monday night, promis-ing that he and his team will roll up their sleeves and get South Africa back to work

Cabinet places

He was also wise to offer places in his cabinet to parties which. Yet the new government is in no failed to reach the 5 per cent that would give them automatic representation, in., a government of more attractive Asian homes. national unity; the liberal Demo- indeed, Mr Mandela should bear cratic party, the radical Pan Afri. Asian lessons closely in mind as canist Congress and Gen Viljoen's. he looks to the future. That Freedom Front, which seeks reas-surance that Afrikaner culture will survive. It would be wise to extend a similar invitation to Chief Mangusuthu Buthelezi, yate sector, trade liberalisation, although his intatha Freedom, encouragement of multinationals party may have attracted sufficiently with their worldwide marketing to secure it a cabinei seat. Chief Buthelezi's difficulties with the ANC and its leader are well-known. Yet nothing can be lost hy attempting to bring this prickly personality into the fold. In selecting his cabinet Mr

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ful balance is needed to reassure international investors, who look for stability. They will wish to see continuity of the sound economic policies that have characterised the transition. The retention of Mr Derek Keys, the present finance minister, in one of the main economic portfolios, would constitute a clear signal that this is understood. Mr Chris Stals, the governor of the Reserve Bank, should be asked to stay in his job. It may be difficult for Mr Mandela but room should be found for both men, not as token whites but as key players in South Africa's new

Investment code Mr Mandela must also be on his

guard against those who argue for an investment code. Rev Leon Sullivan, the US-based campaigner, achieved some success in urging foreign companies who decided to maintain their operations in the old South Africa to end discrimination on the shop floor, introduce training programmes and accept social responsibilities in the black community. He and others now advocate similar terms for would be foreign investors. These objectives are well-meant, but to make them a condition displays a misunderstanding of the tough competition for investment. No lobby urges the same conditions for other developing nations. Some investors are showing

strong interest in post-apartheid South Africa, whether as a market in its own right, or as a base for operations in the rest of Africa. position to lay down terms that might drive investment capital to implies a market-driven exchange rate, a competitive business environment, a close partnership between government and the priwith their worldwide marketing ment skills and an efficient civil service. He will best serve the new South Africa if he applies these principles. He might also then galvanise the rest of Africa, for whom he is already an inspiration.

Back to the pork barrel

When is a manufacturing subsidy not a subsidy? The answer is when it is a "focused research and development incentives programme". This is the Clinton administration's euphemism for its decision to underwrite the development of a commercial industry to make flat panel dis-plays, such as those used in porta-ble computers or aircraft cockpit displays. And it raises troubling onestions about a developing

trend in US industrial policy. Two themes are emerging. Government research money is being redirected away from specific military projects towards more general commercial ventures. Old fashioned industrial intervention is being glossed up and justified under the heading of technology policy. But the familiar shape of the pork barrel is already discerni-

The defence department acknowledges that its require-ments for flat panel displays will never amount to much more than about 5 per cent of the rapidly growing US market, It also concedes that established foreign suppliers - all from Japan - are already in a position to provide affordable products. But it is worried about assured and early access to leading edge technology in what will be the essential interface for the battleground of the Anthre.

Research grants

So it is prepared to offer substantial research grants to those private sector companies which are willing to commit themselves to build production facilities. It envisages providing support for four world scale manufacturing. facilities over the next five years, which will have the capacity to take some 15 per cent of the world market for flat panel displays. The initiative will cost the US taxpayer around \$110m to \$120m a year over that period.

This development is worrying for several reasons. First, it suggests that R&D subsidies - which the Clinton fought to preserve during the Uruguay round - are being abused in order to help domestic manufacturing industry. Next, there is a long history in the US and elsewhere of govern-ment funds being wasted under the heading of strategic technol-

ogy policy. The attempt to build a commercial synthetic fuels industry and the supersonic transport project are only two of the more egregious examples. All the evi-dence is that the net impact on productivity of US government R&O spending is lower than the return on privately funded spending, and may even be negative. It is highly uncertain whether the latest initiative will be any more successful, given that the Japanese are already several years ahead in terms of technology.

Innovators

Moreover, these initiatives invariably favour older, established companies at the expense of innovators. A case in point is Sematech, the government-backed consortium for semiconductor manufacturing technology. It is true that the US chip industry has recovered well in recent years, but this has been based as much on innovative designs as on the man-ufacturing technology which Sematech was designed to

Finally, the arguments being used to justify the flat panel dis-play project could easily be extended to cover a host of other industries where the Japanese have a big commercial lead - from ceramics to machining. The defence department has an enormous shopping list: where is the line to be drawn?

All this is not to say that the US administration is powerless to help. It could mount an assault on the Pentagon's extraordinarily cumbersome and bureaucratic procurement procedures, in order to speed up the fransfer of advanced technology and reduce development costs. It could simplify the patent system, and revise anti-trust procedures in order to make it easier for companies to come together in joint ventures to develop new technologies. It could consider putting temporary tax incentives for private sector research on to a permanent foot-

A policy of doling out money to companies to help them get back into an industry which they have abandoned is not likely to succeed. What is worse is that it will encourage other governments, notably in the European Union, down the same slippery path.

n what may be their last chance to strike a deal on reforming the controversial Superfund law on toxic waste and environmental groups met at the White House yesterday. If an agreement is not reached, the planned legislation may fall off this year's congressional calendar. The Clinton administration's pro-

posals seek to distribute the costs of dealing with toxic waste sites fairly among the polluters, to cut the money spent on lawyers and to increase the amount spent on actually cleaning up.

But the contaminated land issue is so controversial that any one of many interested parties - chemicals companies, insurers, local governments, environmentalists - could torpedo a bill. Congressional leaders are thus unwilling to press ahead until they have achieved consensus. The effects of Superfund's faults, however, have been felt in insurance markets worldwide; adding, for instance, to the travails of Lloyd'e of London. The Superfund programme has

been dogged by problems of cost aince it was eet up in 1980 and revised in 1986, despite resulting in the clean-up of at least 220 toxic sites on a national priority list of 1,300. "Despite the creation of a multi-billion-dollar public works programme and an awesome new overarching approach to hazardous waste liability, the Superfund solution has become an implementation nightmare," according to to Professor Daniel Mazmanian, a professor of political science at California's Claremont Graduate School, and Mr David Morell, head of Epics International, a regulatory consultancy, in

their book Beyond Superfailure. Two issues remain fraught: first, what exactly should be done about the chemical and mineral wastes that have for decades been freely dumped without concern for their health and environmental conse-

quences? Second, who should pay? Existing Superfund law is vague on the first question. Neither in 1980 nor in 1986 was Congress able to establish how clean a cleaned site should be. National standards for acceptable levels of contamination have proved difficult to define without unnecessarily tying the hands of the government's Environmental Protection Agency adminis-trators, in charge of drawing up a clean-up plan at each site. Cleanliness is defined in the law not by substance but by process: were the right parties consulted and the right procedures followed in drawing up the plan?

On the second question of who should pay, by contrast, Superfund law is excessively clear. Liability for the costs of a Superfund clean-up is legally defined as strict.

Superfailure may yet be a success

George Graham says an agreement to reform the US Superfund toxic waste clean-up scheme is in the balance



retroactive, joint and several: anyone who contributed in any way to contamination - the operator of a dump, the landowner, the companies that sent waste there, even the road hauliers - can be held liable for the entire cost.

In 1979, estimates showed a national clean-up, taking many decades, would cost between \$26.2bn and \$44.1bn - and the latest assessment from the Congressional Budget Office puts the bill to the public and private sectors at \$230bn in inflation-adjusted dollars, But the original Superfund contained only \$1.6bn, so the government's EPA has every incentive to apply joint and several liability ferociously, in order to find someone other than

industry, however, has every incentive to fight back, sue other polluters for a share of the costs, and to argue with its insurers over every penny. For instance, ICI

Americas, the US offshoot of the British chemicals group and one of the "deep pocket" polluters initially targeted by the EPA to pay for the clean-up of Delaware's Tybouts Corner landfill, sent a 30-page question-naire to every manufacturer within 100 miles of Tybouts in its search for other polluters. Litigation dragged on from 1980 until 1989 before an agreement was reached on sharing out the costs of the

clean-up.

Thus the result of both the vague ness and the clarity has been end-less litigation. Developers, meanwhile, shy away from once-used land for fear of some future liability. "Many claim that prospective owners who want to develop prop-erty have an economic incentive to use undeveloped, or greenfield, sites to avoid potential Superfund liability, thereby contributing to suburban sprawl and exacerbating in inner-city industrial areas," according to Ms Carol Browner, head of the EPA.

Many flaws in the Superfund legislation are rooted in its creation. The first law was passed in December 1990, as Congress rushed to complete legislation before President-elect Ronald Reagan, pledged to roll back the regulatory burden on industry, took office.

Mr Reagan's EPA proved unwilling to pursue polluters vigorously and unable, in a period of tight budgets for everything but defence, to spend much of its own money on clean-ups. So in 1986 Congress took fresh aim with the Superfund Amendments and Reauthorisation

Act (Sara). Although Sara took some modest steps to reduce the application of strict, joint and several liability by providing limited incentives for everyone to settle early on a fair distribution of costs, it did not get

much closer to determining how clean is clean.

The proposals outlined in February by Ms Browner aim to clarify the issue. They would establish in law national goals, as yet not spelled out, for health protection, and follow these up with regula-tions to set national levels of permissible contamination for the most common chemicals. They would also provide flexibility by linking the standard for a particular site to its future use. "If the community decides that a contaminated site is going to be used for an industrial plant, we might not need to clean it up to the same level as we would for a school," Ms Browner said.

he edministration bill would not reverse strict, joint and several liability, but it would specifi cally exempt those responsible for very small amounts of waste; it would seek to reduce litigation through a voluntary pro-cess under which an independent expert would decide on a fair allocation of costs to polluters who agreed to take part

The Clinton administration had originally proposed a new fund financed by a levy on insurers starting at \$500m a year to help settle insurance claims on waste dumped before 1986, when Sara was passed. Insurance and chemical companies, however, have agreed a somewhat different arrangement that has won government approval, if not yet formal endorsement. It differs from the administration proposal in the degree of acceptance a clean-up plan must have before the fund could start to pay out.

With no dispute that Superfund badly needs reform, the process has so far been different in spirit from previous attempts to legislate on toxic waste clean-ups. The debate is not overshadowed by congressional distrust of the administration, and the administration has sought out everyone involved in an attempt to build consensus - though it has not yet achieved unanimity.

Ms Browner's proposals draw heavily on similar reports produced by an EPA working party with representatives from the public and private sectors. An independent National Commission on Superfund, bringing together industrialists, insurers, environmentalists, state and local governments and community groups, worked towards very similar conclusions.

That may be the lesson of Superfund's superfailures: the secret of dealing with toxic wastes lies less in detailed contamination remedies or precise cost allocation formulae than in the process by which a nation reaches agreement on the

Bronwen Maddox on UK government attempts to formulate a policy on contaminated land

host of golden daffodils hardly seems a source of serious pollution. But the UK's National Rivers Authority, the river quality watch-dog, reported last month that highly toxic insecticides had seeped from a Cornish daffodii farm into local streams.

That was just one example of the threat posed by contaminated land revealed in the NRA'e survey, which also reported that in the Severn-Trent region of central England alone, 186 sites were thought to be polluting water. Just over half of those cases were of industrial contamination, and the rest of leaking rubbish dumps. Many similar instances have

been cited in the responses - due in yesterday - to the government's consultation paper on contami-nated land, Paying for our past. The paper, published in March after the government strapped proposals for n register of contaminated land, calls for comments on the size of the problem and on who should foot the bill. Ministers say they are determined that the chosen solution should avoid the problems which have bedevilled Superfund. So far the full scale of the problem has not been known, as there Haunted by the past ernment is keen to encourage to determine who should pay could investment. It is also concerned to

have been no systematic surveys, just compilations of incidents such as the NRA report. Friends of the Earth, the pressure group, has suggested that there could be 100,000 problem sites in England, concentrated in the former indus-trial heartland of the Midlands. The Confederation of British Industry has also estimated that 200,000 hectares could be contaminated by industrial use, and that cleaning it up could cost £20bn.

Not all that pollution may need tackling urgently. Mr Andrew Lees, campaigns director of Friends of the Earth, says: "If the pollution is fixed in the soil and is not moving, then it is possible that it poses no problem. But if it is contaminating water supplies, for example, then clearly it does."

However, even if some contaminated sites do not need treatment, the government is anxious to devise a clean-up policy because it fears that uncertainty about poten-tial liabilities will hinder development of former industrial regions. Many of these areas suffer from high unemployment, and the govease pressure for construction on greenfield sites in the south.

Lawyers and bankers confirm the government's fears that uncertainty about liabilities is making buying and selling property diffi-cult in some regions. Ms Clare Deanesly of Gouldens, the solicitors, says that a House of Lords ruling in December - the muchublicised Cambridge Water case only answered some of lawyers

In that case, the Lords ruled that Eastern Counties Leather, a leather treatment company, could not be held responsible for pollution caused years ago which had con-taminated boreholes, because the company could not reasonably have foreseen the damage. In doing so, the Lords rejected the application of strict liability along Superfund lines - that is, polluters are liable regardless of whether they foresaw the damage or took steps to allevi-

However the case left open the opestion of whether adequate rules evolve through the courts by the application of common law, or whether they need to be defined by new legislation.

The government's paper ducks that question. Its only clear recommendation on the question of who should pay is that banks should, in some circumstances, be held liable for cleaning up pollution caused by companies to which they have made loans.

This proposal has attracted fierce criticism: the Royal Institution of Chartered Surveyors has told the government that "putting unrea-sonable liability" on the financial sector could "encourage [it] to withdraw from environmentally vuluerable markets". In other words, banks would lend money only for the development of clean

The paper, however, points the way forward on some other problems, according to lawyers, developers, banks and insurers. They have particularly welcomed the proposal that land need not be cleaned up to a pristine state, only

to the level necessary for its intended use. The proposal - which has been attacked by environmentalists such as Friends of the Earth - is an attempt to avoid some of the huge clean-no bills which have arisen under Superfund.

But that does not compensate, according to the paper's critics, for the paper's failure to address the central question of who should foot the bill for past pollution. "The courts passed the buck to parliament on the Cambridge Water case, and Paying for our past passed it back again," says Ms Deanesly. Because that central question

remains untackled, many respon-dents have called for the government to pay for cleaning up con-tamination, possibly by setting up a fund through levies on industry. Ms Deanesly says: "My personal view is that we have all benefited from the industrial revolution – it produced economic benefits. To the extent that it has produced disadvantages, those should be funded from the public purse."

In spite of the problems the US has had in operating such a fund, the government is likely to find that many of the respondents to its consultation paper have echoed those views.

OBSERVER

Caracas to take the job?

Antonio Casas González could hardly wish for more testing tances in which to prove his mettle. The new president of the central bank of Venezuela flies in from London amid a full-blown bolivar crisis, to step into the shoes of the immensely respected Ruth de Krivoy. The latter's resignation, after

a row over the central monetary authority's independence, unsettled international investors - who are far from mollified about what they fear is a political appointee in her place. A sociable type who was

well liked during his four-year sojourn as UK boss of the national oil company, PDVSA, Casas is also close to President Rafael Caldera. A comple of months ago, friends had expected him to return to

Caracas with a shot at the ton iob

at PDVSA, or perhaps the oil portfolio in the new cabinet, but those positions went elsewhere. Casas is of course an experienced and well-travelled man. In addition to his stint as head of the government's economic planning office during Caldera's first administration in early 1970s, he also est up the board of the central

bank for three years between 1972 and 1975. He had held diplomatic posts

in Washington and worked at the Inter-American Development Bank before moving to PDVSA, where he rose to the position of chief But while the Venezuelan

economy is in far too much trouble for anyone to worry about tha academic niceties of central bank independence, Casas will have to prove he is more than a Caldera stooge before any degree of international confidence returns.

Savouring success

Is there no keeping that Peter de Savary down? Hot on the heels of the collapse of his Placeton property-to-oil company, he now has plans for a £100m network of "autoparks" - sites where people can test-drive and buy cars - which, he claims, will be great places for a family day out. So where is he going to get the

money from, seeing that Standard Chartered has suffered a loss of up to £50m on the Placeton collapse? Weil, plenty of other banks have been on the phone in the past couple of days, would you believe, perfectly ready to talk business. "I have banks who are very fond of me," he points out. Indeed, plans for "four or five" autoparks around Britain are

already well advanced. De Savary

says six big car companies -

anonymous so far - are keen to

support the idea. The first sites

could be operational in 1996, with

1

Tm right behind anyone who's right behind John Major

London's Docklands and Southampton being among the contenders. Each would be about 50 acres and include Disney-style amusements for children plus restaurants and bars operating 18 hours a day. Sounds absolutely beavenly, just what the bankers ordered. Wait

Eurodisney recently . . ?

can it really have come as such

a minute; has he checked out

Master builder 🖪 Lloyds Bank's 21.8bn bid for Cheltenham & Gloucester may have caught analysts on the hop, but

a surprise to staff at the Building Societies Association? Back in December, its director-general Adrian Coles presciently chose Brian Pitman to deliver his "distinctive view of current and future developments in the banking world" to the BSA's

conference later this month. Sadly, Coles's crystal ball contains a minor flaw. Lloyds Bank's boss will be speaking shortly before the legality of the deal is tested in the High Court. Had the conference been scheduled for just a little later in May, Pitman might have been able to say rather

Nom de plume

Citroen's UK subsidiary is having a spot of bother with the parent company's brainwaves on the vehicle naming front. With scant regard for prime minister Edouard Balladur's campaign to defend the purity of the French language, Citroën is calling its latest two-and-a-half tonne van the Citroën Jumper. Company executives mutter obliquely about 'Jolly Jumper' being the name of the horse belonging to Lucky Luke', some cartoon figure.

But the company's UK management is less than taken with calling a vehicle after a woolly garment that may be comfortable but tends to be familiar, old, tired . . . So it has plumped for Relay

That still leaves the new multi-purpose vehicle – a competitor for Renault's Espace - that the big bosses are christening the Citroën Evasion. The French connotations may he of escape and adventure, but Pierre Boisjoly, managing director of Citroën UK, reckons the Brits will think of tax evasion. Anyone care to help him out?

Chopped sueys ■ Naturally, the syndicate officials

who slaved day and night on what was to be India's biggest ever equity offering were more than a little nonplussed when VSNL, the Indian international telecoms company, decided to postpone its \$1bn international equity offering at the eleventh hour. How to commemorate their failure to pocket some whacking fees? A slap-up meal seemed the perfect

Understandably, the idea of dining out at one of London's superb Indian restaurants made them feel a little queasy. So they all went out to Memories of China.

Slick

■ More Senile Prats. That would be the upshot of a union between oil companies Enterprise and Lasmo, according to a reader who enjoys shuffling letters of the

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Departure aimed at mending ties with government

Founder of Hyundai to retire from management

By John Burton in Seoul

Mr Chung Ju-yung, the founder and honorary chairman of the terday that he would retire from the management of South Korea's largest business group.

His departure is meant to ease tension between Hyundai and the government, which has discriminated against the group since Mr Chung unsuccessfully stood against President Kim Youngsam in the 1992 election.

Since the presidential election, Hyundai has not received lowinterest industrial loans from the state-run Korea Development Bank and has been restricted in raising capital ahroad. Three of its main subsidiaries have also been denied listings on the Seoul

The retirement of 78-year old Mr Chung would end a business

believe from that day it will be

the beginning of our indepen-

dence. We will be able to start to

But although there are hopes

In Jericho, there are also deep

fears and worrles about the

count from zero.

small motor service company. During the next three decades, he developed Hyundai into a symbol of Korean industrial might with 48 subsidiaries and total assets of Won31,700bn (\$39,2hn).

Share prices for Hyundai companies rose in the expectation that the government would resume financing to the group. Some government officials have urged that the restrictions against Hyundal be removed for the sake of the national economy because the group is the coun try's largest producer of cars and ships and is the owner of the

higgest construction company. But aides to Mr Kim express scepticism that Mr Chung would actually withdraw from Hyundai's management and retire to live on his remote farming estate. as honorary chairman and concareer that began with the foun- tinue to provide advice to his

ding of Hyundai in 1947 as a brother, Mr Chung Se-yung, the group chairman.

Mr Chung described the honorary chairmanship as a "ceremonial" position, but his status as group founder almost certainly guarantees that he could continue to guide the conglomerate from behind the scenes.

Some analysts believe that Mr Chung's retirement announcement is part of an attempt to persuade the government to overturn his conviction for illegal campaign funding during the 1992 election.

Mr Chung received a three-year suspended jail sentence last autumn for embezzling corporate funds to support his failed presidential hid. He is now awaiting an appeal against the decision. He severed ties with his political group, the United People's party, last year and vowed to

stay out of politics to appease the

Jericho Kohl joins efforts prepares to push through for self-rule EU enlargement Continued from Page 1

lsaac Shawa, a shopkeeper on the town's small grass square. "I

> Chancellor Helmut Kohl of Germany yesterday joined a lastminute push to ensure the European Parliament today ratifies the enlargement treaty to hring Austria, Sweden, Finland and Norway into the European

Belgian premier, have made simi-

lar pledges to back parliament's

future. Many Jerichoans remember last December 13 when they prepared to celebrate the begin-Union.
Ratification requires approval
by at least 260 of the 518 MEPs. ning of Israeli withdrawal and nothing happened. The fsraeli and party managers were yesterarmy exacerbated suspicion yesday making frenetic efforts to terday when it closed the town ensure enough Yes votes. Accordto visitors. ing to a parliament official spe-One hosinessman sald he feared Israel would seal off Jericial travel arrangements were heing made to make sure that cho from the rest of the West several MEPs not yet in Stras-Bank and from nelghhouring bourg will arrive in time for the

Jordan, leaving "us sitting here In letters to leaders of the main political groups in the Strashourg More worrying is the response of young extremists of the assembly, Mr Kohl promised to Hamas Islamic Resistance moveensure that the parliament would ment. "When Arafat comes here get the increased role it is we will pot a hullet between his demanding in a working party eyes." said Khalil, a garlic seller. whose work will form the basis of the 1996 constitutional review Jewish relations were also on power-sharing in the EU and the show on the outskirts of Jericho, Maastricht treaty. Mr Ruud Lubwhere Jewish settlers in the Jorbers, the Dutch prime minister, dan valley protesting against the and Mr Jean-Luc Dehaene, the

police. Some settlers said they demands. would not obey any orders from incoming Palestinian police. Germany takes over the EU presidency at the end of next The army stopped Jewish setmonth, when the working party tlers travelling through Jericho should be set up to prepare the and sent them around the town 1996 inter-governmental conferon a military hy-pass road. For ence. Mr Kohl reminded Euro-MP leaders that he had long argued Arah and Jew at the military for a strengthening of the Eurocheckpoint yesterday it seemed that the agreement was heraldpean Parliament as the basis for ing a divorce rather than co-exisa more democratic and federal

ing its mandatory ratification of the EU's higgest expansion conditional on an enhancement of its own role in March, Strasbourg made clear it would not ratify if the UK got its way in the voting rights row, making it easier for a minority of member states in the

larger Union to block decisions. Cermany took the lead in ensuring the UK received only cosmetic concessions, but even these have provoked many MEPs into fighting for postponement of enlargement until the Institutional balance in the EU is sorted

out. At least 100 MEPs are today expected to press for a postponement, though this motion will almost certainly be defeated. But the question is whether enough of the dissidents will then vote Yes on entry for the four new-

Mr Kohl's intervention will bolster arguments that the failure of ate a crisis that would hinder reform. But the British Conservative government faces further discomfort from its Euro-phobe faction if it backs Mr Kohl's pledge to support a hody which is markedly Socialist and federalist.

Polls suggest that after next month's Euro-elections, the Strasbourg parliament will be even more dominated by socialists than it is now. Officials in Strasbourg point out, moreover, that additional seats for Germany to reflect unification mean that federalist Germans will occupy many of the key positions in the new assembly.

FT WEATHER GUIDE

IBM to set up data network across China

By Louise Kehoe In San Francisco

International Business Machines has been chosen by China's ministry of electronics industry to lead a vast project to link about 500 cities to a national "informa-tion highway" data network.

Under the terms of a memorandum of understanding signed by Mr Lou Gerstner, IBM chairman and chief executive, and Mr Zou Jiahua, a Chinese vice-premier, IBM will head the "Golden Bridge" project, one of three initiatives designed to modernise China's data communications and computing infrastructure.

The project will involve design-

ing and huilding regional networks in cities across China, along with a "backbone" network linking the regional systems. The effort will be led by a new joint venture, based in Beijing, between IBM China and Ji Tong Communications, a company affiliated to the Chinese ministry of electronics industry.

This is China's version of the information highway," said Mr Ned Lautenbach, head of IBM's international operations. "The Chinese government has set very amhitious goals and we are thrilled to have been selected to work with them."

IBM has also been chosen as the primary consultant on two other "golden projects": Golden Card will establish facilities for the credit and dehit cards throughout China, and Golden Customs will create computerised record-keeping and tracking systems for China's exports and

"IBM is a famous computer company and has a long history of working with us," said Mr Zou. "Its technology and experience have contributed greatly to the development of the information technology industry in China."

As part of its expansion in China, iBM plans to establish a software development centre in Shanghai to develop programs for use in China and for export. Three networking technology centres will be opened in Beijing. Shanghai and Guangzhou providing consulting services to Chinese customers, linking computers to networks.

back to 1935. The company left China when the communist regime took over and came back In 1982 as an offshore husiness In September 1992 IBM China became a wholly owned foreign enterprise, authorised to trade in local currency and to hire Chi-

nese employees "In the last 18 months or so we have been aggressively growing our resources, our commitment and our husiness in China," said Mr Lautenhach. These moves reflect the Clinton administration's liberalisation of export controls on high-technology goods sold to China.

that earnings will barely suffer this year and should benefit thereafter.

a compelling case.

At its crudest level, huying Diversified Pharmaceutical Services allows SB to recoup some of the margin now being lost to its new breed of customers. DPS's earnings depend on its ability to negotiate aggressive deals with drugs companies. There is also the promise of rapidly rising profits as benefit managers cover more of the US population. It remains to he seen whether DPS's customers will be happy about its loss of independence. The relationship with SB will have to be played carefully. Still, the early evidence from Medco is that large healthcare huyers are reluctant to take their nusiness elsewhere.

The wider benefits, including access to DPS's clinical data, will only become apparent over time. The relative performance of SB's drugs will be the critical test. As Roche's acquisition of rival drug company Syntex makes clear, there is more than one way to tackle the margin squeeze now under way. With two of the big three US benefit managers in the hands of drugs companies, though, others in the sector will find that opportunities for vertical integration are few and far

UK economy

The strong growth in M0 money supply last month is about the best indication yet that economic recovery has survived the immediate impact of the chancellor's tax increases. But the jury must still be out on whether that positive response will continue, especially now that consumers have banked their April pay cheques. Anecdotal evidence suggests confidence is weak. Yet spending may well turn out not to be too badly affected. Employment and wages are growing, and higher turnover in the housing market, underlined by yesterday's mort-

SmithKline's prescription

THE LEX COLUMN

When Merck bought Medco for \$6bn in July last year most other pharmaceuticals companies were unconvinced of the commercial logic and flabbergasted by the price. It is a measure of how far the market has come in the last 10 months that SmithKline Beecham's decision to follow into vertical integration seems to have immediately convinced on both counts. True, SB seems to be paying a shade less than Merck for its US pharmacy benefit manager. A handy tax break means

Even so, paying a multiple of around 50 times last year's earnings demands

FT-SE Index: 3180.0 (-25.3) Smith(Cine Beecham

Share price relative to the FT-SE-A All-Share Index

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gage lending figures, should boost demand for consumer durables.
Obviously the authorities cannot rish the recovery to falter, but such a high rate of narrow money growth must also leave them uneasy. Year-onyear growth of 6.2 per cent is way above the monitoring ceiling of 4 per cent, and the excuse that individuals are inclined to hold cash because interest rates are so low is wearing thin. Arguably, the original target range for MO was too tight, but the authorities cannot let the aggregate

expand at this kind of level for more

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than a month or two without risking serious loss of credibility. Then talk would turn, not to whether there is room for one more rate cut, but rather to the question of how soon rates would have to rise again. It is perhaps unfortunate that news of such vigorous money growth coincided with fresh nervousne sterling. Its trade-weighted index dropped 0.9 per cent yesterday, partly in the backwash of a weak dollar and partly in response to political worries. There was no inflationary threat when sterling left the ERM because the economy was so weak. Depreciation is more risky now that the output gap is

Llovd's

All credit to Lloyd's of London for trying to transform itself from an expensive club into a rational market. The proposed introduction of pre-emption rights for Names, similar to those enjoyed by shareholders in the equity market, is a small step in this direction. Risk-based capital requirements

closing and unit labour costs have bot-

for undarwriting syndicates should also bring returns more closely into line with risks. Lloyd's might then stand a better chance of developing a mix of business capable of generating

RWE expect:

consistent profits. Lloyd's will look an odd-ball among financial markets until capital is allocated to syndicates on the basis of price, rather than favours and queueing as at present. That giant leap will probably involve Names exchanging syndicate participations for shares in specialist Lloyd's companies which can be traded. Exactly how that might happen, and what form the new companies might take, was left open hy yesterday's report.

In managing any such transition, though, the interests of Names will have to be carefully protected. Having relied on private individuals to ride out the recent underwriting storm, Lloyd'a must give them a fair chance to recoup their losses under the structure which is now emerging.

ft is ohviously embarrassing that the London stock market is unlikely to meet the original deadline of next January for introducing five-day rolling settlement. Five-day settlement has become the international standard, while some rival markets are moving towards a three-day system. Delay makes London look improfessional, reinforcing the impression cre-

ated by last year's Taurus fiasco. Nevertheless, delay is better than disaster. The move to five-day settlement is due to occur under the old paper-based system. Fast paper settlement may be feasible but there is clearly a risk that back offices and registrars could be swamped by paper mountains, It certainly makes sense to see how 10-day settlement, due to start in July, beds down before progressing. There may even be a case for postponing fast settlement until Crest, the electronic system that fills the role that Taurus should have filled, is up and running.

Meanwhile, the stock exchange has been snubbed in its ambition to hold a 30 per cent stake of Crest. Its share will be no higher than that held by at least 17 other financial institutions, if indeed it decides to take part at all. The exchange may yet receive the consolation prize of operating Crest under contract - a possibility held out yesterday by the Bank of England, But, to win the contract, it will have to compete. Success cannot be guaranteed.

Europe today

agreement blocked a road with

hurning tyres and clashed with

A complex low pressure area west of Scotland will bring showers and rain to the British Isles. A cold front associated with the low will move east over the continent bringing rain and scattered thunder showers to eastern France. Germany and Switzerland. Poland and the Balkans will remain dry and mostly sunny. South-westerly winds will draw cool and unstable air towards the Benelux and northwest France resulting in mainly cloudy skies and a few showers. Temperatures will be much lower than yesterday. The Mediterrane will have a lot of sun and comfortable temperatures. High pressure over the Battic Sea will keep Scandinavia sunny and mainly

Five-day forecast High pressure over Scandinavia will expand

over western Europe during Friday and the weekend bringing sunshine and a gradual warming trend to Scandinavia, the Benelux. France and, later, the British Isles, A disturbance over the Atlantic will produce thunder showers in Spain and Portugal over the weekend. A series of depressions will cause cool and unsettled conditions to develop in eastern and south-eastern Europe.

TODAY'S TEMPERATURES



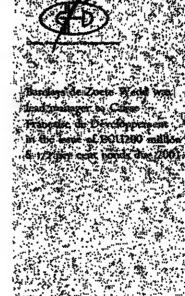
Our service starts long before takeoff. Lufthansa

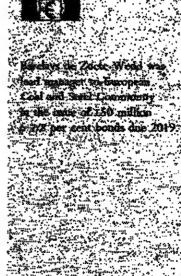
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Bardeys de Zoete Wedd KFW International Figures Inc. in the issue of Can\$250 million 6 1/2 per cent guaranteed acted





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OTHE FINANCIAL TIMES LIMITED 1994

Wednesday May 4 1994



IN BRIEF

RWE expects to increase dividend

OAG GRUPPE

RWE, the industrial conglomerate built around RWE, the industrial conglomerate built around Germany's largest electricity generator, will likely pay a higher dividend this year, in spite of heavier losses in its waste disposal division. Mr Friedhelm Gieske, the chief executive, forecast a profit for the year ending June comparable to last year's DMSSIm (\$512m) – but promised a higher dividend on the basis of more favourable tax allowances.

Sanofi eyes pharmaceuticals busine Sanofi, the French pharmaceuticals group, has expressed interest in acquiring a substantial part of Eastman Kodak's pharmaceuticals businesses, either on its own or with partners, following the US group's announcement that it would sell its healthcare activities. Page 21

Freeport-Rickloitan to split businesses Freeport-McMoRan, the New Orleans-based natural resources company, will split its two principal businesses, copper and gold mining and agricultural minerals, into two independent financial entities which will be distributed in a complicated transaction to existing shareholders. Page 21

S&P warns over problem assets Standard & Poor's, the international credit rating agency, has said asset-quality problems at Japanese banks, which face increasing bad-loan levels. will take several years to resolve. Page 22

Brown & Jackson in rescue talks Pepker, the South African retailer, is still holding talks with Brown & Jackson, the troubled discount retailer which last month announced a 50m rescue deal with the Weisfelds, the millionaire couple who created the What Everyone Wants chain.

Enterprise bid worries shareholders Shareholders in rival explorers Enterprise Oil and Lasmo yesterday expressed unease over the terms and structure of the hostile £1.5bn offer. Shareholders' main concerns appear to be the. valuation placed on Lasmo (which excludes a cash alternative) the unusual equity structure

and the timing of the hid. Page 25 Reds aim for off-field success When the UK's Manchester United takes to the field for its last home game of the season on May 8, all minds will be concentrated on football, its. core business. But for the directors watching that afternoon's clash with Coventry City, the club is a multi-layered business - non-footballing activities have helped lift first-half profits by

65 per cent to £7.5m (\$11m) Page 26 Barriers around Chinese mine China's mining sector has lagged well behind others, notably oil and gas, in efforts to attract foreign involvement. However, inhing executives say China is making definite progress in clearing.

UK building societies sector looks set to face a further shake up as Northern Rock, the UK's eleventh largest building society, is today expected to announce plans to merge with another society.

29 ICI Australia

20 Kuhne & Negel

25 Letts (Charles)

& Low & Boner

27 Powell Duffryn 27 Premium Underwelting

20 RWE

Companies in this issue

Abbey National

Aktivbanken

BHP

Ashley (Laura)

Bank Burniputra

Brown & Jackson CEPSA

Dartington Crystal Diversified Pharm

US group withdraws from healthcare as UK pharmaceutical company buys distributor

Kodak returns to core with drug sale

By Patrick Harverson in New York

By David Wighton

Eastman Kodak, the struggling US photographic products group, plans to sell its pharmaceutical and consumer healthcare divisions to concentrate on its core

imaging business The restructuring plan is aimed at lightening the group's \$7bn debt and bolstering its balance sheet as well raising funds to develop the core photographic imaging business. It is the latest attempt by Mr George Fisher, chairman, to restore the

An expensive

bargain for

SmithKline

r Jan Leschly, chief

executive officer of SmithKline Beecham,

recently described Merck's purchase of drug distributor Medco

last year as "strategically ... a stroke of genius". But he ques-tioned the \$6.7bn price tag.

So it should have come as little surprise that SmithKline wants

to buy Medco's smaller rival Diversified Pharmaceuticals - or

that Mr Leschly argues at only

\$2.3bn (£1.5bn) it is a much better

deal. Not that it looks a bargain

by normal standards. Diversified made an operating profit of just

\$39.9m last year.

To be fair, Diversified is grow-

ing rapidly with profits rising by over 60 per cent last year on

more than trebled sales of

But Mr Jean-Pierre Garnier,

chairman of SB Pharmaceuticals,

December after his predecessor, Mr Kay Whitmore, resigned amid shareholder dissatisfaction with the group's performance.
The three divisions which Kodak plans

to sell - the drugs and consumer health products unit Starling Winthrop, the per-sonal care and household products husiness, L&F Products, and the Clinical Diagnostics division - accounted for about \$3.7bn of the group's \$16.4bn revenues last

Mr Fisher would not comment on whether the units would be sold or spun off in a public offering. However, he said

without similar deals "will proba-

bly not survive in the increas-

ingly competitiva environment".

Mr Leschly sees the move as a vital part of his efforts to move

the group from being a "manu-facturer selling pills" to a sup-plier of "total pharmaceutical

care". This transformation is deemed necessary because healthcare in the US is moving

from one controlled by doctors to

one controlled by the payer - a change which has been associ-

ated with the creation of two new

groups of businesses, health man-

agement organisations (HMOs)

and pharmaceutical benefit man-

Both act as intermediaries buy-ing care and drugs on behalf of

their customers, which in the case of pharmaceutical benefit

management companies are usu-

ally HMOs. Mr Leschly says

SmithKline's deal is unique in

that it involves not only the pur-

agement companies.

Mr Fisher took the helm at Kodak last the group's partner in a worldwide drug sales venture, the French company Elf Sanofi, would be given the right of first refusal to buy parts of Sterling, which Kodak bought in 1988 for \$5.1bn. Yesterday Bayer, the German pharmacauticals group, said it was interested in purchasing

Kodak said it was retaining its Health Sciences division because the unit will play a pivotal role in its imaging strategy. Wall Street, which has been highly critical of Kodak's performance, welcomed the restructuring. The group's shares climbed \$2% to \$46%.

Standard & Poor's, the credit rating agency, said it would consider upgrading Kodak's debt rating in light of the divestment plan, which it believed could ulti-mately lead to the elimination of much of the group's debt.

Four months ago Kodak spun off its chemicals division, Eastman Chemical, and last month it announced the formation of a

The plan continues Kodak's strategy of focusing on its core imaging business.

new unit to spearhead its involvement in the market for electronic imaging. New image, Page 21; Global sickness.



Jean-Pierre Garnier (left) SB chairman, with Jan Leschly and Hugh Collum, chief financial officer (right)

owns health management organi- Diversified for its owned mansations with 1.6m members.

That triangle is essential for the strategic importance of the deal." SmithKline and United have agreed to a minimum six-year alliance, through which Smith-Rline will have exclusive rights to data from those 1.6m members. This data will help Smith-

aged care operations.

Mr Leschly says the acquisition will "enhance" the "presence" of SmithKline's products in the

managed care sector, yet stresses it will not attempt to force its products through Diversified. "If we forced them to do certain things it would not be competitive and that would not be in our

with other manufacturers." He argues SmithKline will hring benefits to Diversified, including access to its salesforce and specialist clinical knowledge. As for the price, Mr Leschly says SmithKline is paying \$210 for each of the 11m people for whom

Diversified directly manages pharmaceutical benefits. On the same basis he says Merck paid more than \$325 a head for Medco.

says its importance for the group cannot be measured in tradi-tional terms. He simply warns that pharmaceuticals companies companies parent United HealthCare, which Kline to greater understanding of the cost/benefits of drug use. interests. We want them to con-United will continue to use tinue their fruitful relationship Lex, Page 18 India postpones VSNL \$1bn equity issue

By Status Wagstyl in New Delhi and Sara Webb in London

Indian government yesterday postponed a planned \$1bn international equity issue by Videsh Sanchar Nigam (VSNL), the state-controlled

tions monopoly.

Fund managers balked at the high price set by the government in consultation with the company Salomon Brothers of the US and

The postponement is India's biggest setback in the international capital markets since Indian issuers first raised funds in late 1992, after the government's liberalisation programme permitted increased foreign trade and investment. The decision could harm the prospects for future Indian issues and will do little to help confidence in investing in emerging markets, which have mostly fallen this year after

rapid gains in 1993.

Britain's Kleinwort Benson.

"This is really bad news for ing. But the growing appetite of dia," said Mr Tony Singh, a foreign fund managers for Indian India," said Mr Tony Singh, a stockbroker at Cresvale, a London-based investment company. There were so many other Euroissues from India which were hoping to ride on the back

of VSNL's success." When VSNL, which is 85 per cent government-owned, first considered the international equity offering late last year, it considered raising \$500m, which would still have been the biggestever Indian international offer-

stocks persuaded the company and the government to increase the issue size to \$1bm. With the VSNL price rising on the BSE from Rs650 in early November to a peak of Rs1,700 in January and February, the issuers fixed a minimum issue price of Rs1,400.

But by the time the price was approved at a cabinet meeting in early April, international markets had soured and were in a difficult state when the company

started its roadshow in Hoog Kong in mid-April Fund manag ers there, and later in London and New York said with shares trading in Bombay around Rs1,300, Rs1,400 was too high. There were talks over the weekend on proposals to cut the

price to between Rs1,100 and Rs1,200, to raise about \$700m. The VSNL board was not against cutting the price, but a change required cabinet approval. Background, Page 22; World

Capital gains put Stora back in black

By Christopher Brown-Humes in Stockholm

Stora, Europe's biggest pulp and paper group, made a strong return to profit in the first quar-ter after benefiting from increased demand, cost-cutting and big capital gains.

The group swung to a SKr1.07bn (\$135m) profit after financial items from a SKr78m loss a year earlier. Excluding one-off items, profit amounted to SKr430m compared with a SKr93m deficit in 1992.

Mr Lars-Ake Helgesson, Stora president, said the market was recovering after three years of over-capacity and falling prices. He was encouraged by evidence of faster-than-expected economic recovery in Europe, the company's main market.

Group volume was 2.7 per cent higher than a year ago at 1.66m tonnes, but prices were generally lower than in 1993. "Increases in pulp prices have brought price rises in most paper and board product areas, but with only a limited affect on earnings to date," said Mr Helgesson.

Disposals meant group sales fell to SKr11.46bn from SKr12.59bn. For comparable units, sales were SKr425m higher reflecting the volume growth and currency movements.

Operating profit improved strongly to SKr1.39bn from SKr358m. A restructuring programme which has lowered costs by SKr4.5bn during the industry recession was ona reason for the upturn, but the main impact came from SKr641m in capital gains. There was a SKr800m gain from the SKr3.46bn sale of the group's Tarkett flooring unit, but this was partly offset by a SKr200m provision for the possible write-down of a Canadian

pulp plant.
The company said all units improved their operating performance. Stora Feldmühle lifted profits to SKr127m from SKr47m, while Stora Billerud saw profits rise to SKr275m from SKr191m.

The only product area to record worse performance was technical office papers where losses deepened to SKr17m from SKr2m.
Profits from printing papers
climbed to SKr179m from SKr118m and from board and packaging paper to SKr303m from SKr228m. Pulp made a modest SKr10m profit, turning around a SKr38m loss.

Financial expenses fell to SKr322m from SKr436m. The improvement reflected lower interest rates and reduced debt.

Barry Riley

Long hot summer to test the nerve of dollar bulls



appointment is on the edge of turnas the US Federal Reserve is forced to resort to propsinks against the yen. At risk are many of the global investors who have been almost unanimously bullish about the dollar for more than a year. In 1993 the dollar went down against the yen but at least it went up against the D-Mark. This year it has been soft against most other curren-

cert? After all, with the US economy expanding strongly while most of its G7 trading partners remained in recession, the argument has been that a transformation in interest rate differentials would push up dollar exchange rates. In practice the fall in continental European interest rates has been rather slow, but whereas at the end of 1992 D-Mark three-month rates were more than 500 basis points higher than the dollar equivalent, today the differential is only just over 100 points. Pretty soon the gap could reverse.

What has nobbled the dead

Has the negative response been irrational? There do, of course, have to be reasons but they vary from time to time. Besides short-term interest rate differentials, currency exchange rates may be driven by long-term investment flows and by political . uncertainty. There is also the basic economic factor of trade imbalances, which this year may have become important again.

disicit may be heading for \$1400m in
is on 1994, pushed up by domestic
turndemand, and generating
ebacle unwanted dollars overseas. Moredefaul over, far from supporting their
forced local neighbourbood Treasury,

The immediate US pension funds and mutual fund investors have discovered the virtues of global investment, and poured almost \$130bn into foreign securities in 1993.

Offsetting that was \$110bn of net purchases of US securities by foreigners, but the point is that whereas in the 1980s the big investments by foreigners (often. at that stage, Japanese financial institutions) were vastly greater than the US outflows, now there

Anybody buying rising yields is also buying immediate capital losses

is a rough balance. The underlying US current account deficit is therefore having to be financed by attracting hot money which is more sensitive to the prospects for short-term capital gains through exchange rate volatility than it is

to small-scale interest rate differ-

A low rate of domestic saving in the US is forcing the country to draw on savings overseas, especially when the economic upturn is leading to a rise in corporate investment. The mirror image is depressed in Japan, running a current account surplus of There are some big negatives about \$130bm, but apparently no here. The US current account def-

The Americans portray problems with Japan in terms of interference with freedom of trade, but different propensities to save are at the beart of the problem. The immediate difficulty is that Japanese life compa nies are no longer willing to take risks with the dollar/yen rate which has cost them so much in falling from over 200 10 years ago to scarcely above 100 today. Seen this way, the challenge for Americans is to attract

savings domestically and internationally. Last year the banks and the hedge funds were still healthy sources of support for US Treasuries but that game is now over. The simple solution is a sharp rise in long-term dollar interest rates, which has hap-pened, with the 150 basis point rise in the benchmark long bond yield since last October's trough Apart from attracting foreign money these higher returns will also, eventually, choke off the portfolio outilows.

But anybody buying into rising yields is also buying into immediate capital losses. So there is the potential for a hiatus as potential buyers of dollar securities wait for the bond market to settle down. While long-term portfolio investors hold off, the dollar is likely to wilt; and Japanese institutions certainly have reason to bide their time until the yen is not just operpriced but ridiculously priced.

At least we learned last week there are limits to the readiness of Americans to encourage devaluation of their currency. But we could be in for an unstable and unpredictable summer as the nerves of the dollar bulls are





DSM net profit lifted to Fl 83m by jump in sales

By Ronald van de Krol in Amsterdam

A jump in sales allowed DSM. the Dutch chemicals group, to report a near 14-fold increase in net profit in the first quarter compared with the same, severely depressed period of

Net profit rose to Fl 83m (\$43m) from Fl6m a year earher, on turnover up 5 per cent et Fl 2.2bn. Sales by volume were up a strong 9 per cent, reflecting greater demand for plastics and caprolactum, a raw materiel used to make

DSM said part of the sales rise may have been due to nonrecurring factors, such as extra stockpiling by industrial customers and by a drop in exports from competitors in central and eastern Europe.

Another fector hehind the profit rise was e further decrease in fixed costs. The workforce stood at 19,774 people at the end of the first quarter, an 11 per cent decline from the same period of 1993.

The economy in Europe, DSM's main market, showed signs of a hesitant recovery in the first quarter, with some growth reported by European car makers, an important customer group for the company. The company said it expec-

ted business in the current quarter to be similar to the first three months of the year. But DSM cautioned that results would be influenced by maintenance shutdowns in the second quarter. It declined to make a forecast for full-year

Mr Simon de Bree, chairman, said the results, which were

above analysts' predictions, were encouraging but noted the recovery was frail, and selling prices were still low.

DSM's shares rallied strongly on the first-quarter results, closing up F14.70, or 3.3 per cent, at Fl 145.00.

Ballast Nedam, the construction group, said the number of shares in this month's flotation would be 3.7m, with an option to issue up to a further 450,000 if the issue is oversubscribed, Reuter reports from Amsterdam.

The company confirmed that the share issue represented 37 per cent of its cumulative preference stock. Ballast expects 1994 net profit of about F1 90m. It made profits of F1848m in 1993. The preference shares are to be listed on the Amsterdam bourse from the middle of this

of strong competition. However, gross interest income was reduced by NKr1.44bn to NKr2.97bn as interest expenses were cut by NKr1.48bn to NKr1.7bn. Noninterest income fell by NKr296m to NKr662m with currency and securities gains falling to NKr65m from NK-120m.

back into

By Karen Fossii in Osio

of NKr138m a year ago.

the black in

first quarter

Den norske Bank, Norway's

largest bank, moved back into

the black with a net profit

with NKr586m (\$79.2m) for the

1994 first quarter, from a loss

The turnround was helped

by reduced losses on loans and

guarantees and came in spite

of lower non-interest income.

Mr Finn Hvistendahl, group

managing director, said the

improved performance contin-ued a trend which began last

rear. Net interest income rose

alightly to NKr1.27bn from

NKrl.23bn, helped by "com-fortable" margins in the face

DnB explained that unrealised gains on shares amounted to NKr392m at end March and that an increase in interest rates had led to a loss on bonds, partly offset by an increase in value of other financial instruments used to hedge interest rate risk.

Group operating profit, before losses on loans and guarantees, fell to NKr780m from NKr1.06bn. Losses on loans and guarantees were cut to NKr180m from NKr1.17bn. DnB said there had been some strong recoveries, particularly where the improvemen in the Norwegian economy had a positive impact on custom-

ers' ability to meet payments and on the value of the bank's collateral. The volume of non-performing loans was NKr8.9bn, a reduction of NKr1.3bn since the end of 1993. DnB said the volume of new non-performing

been reinstated as performing "The quality of the bank's Mr Hvistendahl.

DnB moves | RWE expects to increase dividend

RWE, the industrial conglomerate built around Germany's largest electricity generator, expects to pay e higher dividend this year, in spite of heavier losses in its waste disposal division.

Mr Friedhelm Gieske, chief executive, forecast a profit for the year ending June, comparable to last year's DM881m (\$512m) - bnt promised a higher dividend on the basis of more fayourable tax allow-

Both the off and chemicals division, and RWE Energie, the: electricity generator, will make bigger contributions to the outcome, with the buoyant construction division maintaining its position.

Two US investments - the Consol mining group, hit by a saven-month strike, and NuKEM, its waste disposal

operation - are the main loss-makers in the group so far this year, Mr Gieske said.

On the other hand, improved results in east Germany, with rising petrol sales for RWE-DEA and expanding construc-tion activity, helped two important arms of the company to better results.

The mining and raw materials division, centred on Rheinbraun, Germany's biggest producer of brown coal for power generation, saw a drop in turnover of 13.6 per cent, without taking ecquisitions into

Mr Gieske said the losses at Consol reached \$42m as a result of the miners' strike, leaving RWE to carry its DM36m share of that amount However, he promised much more favourable prospects for the US interest in 1994, with Consol strengthening its position in the low-sulphur coal



Friedheim Gieske: forecast a profit comparable to last year

Island Creek.

Waste disposal, an area into which RWE has expanded rapidly in recent years, saw oper-ating losses of \$96m at

Nukem, where a big restructuring programme has been carincom lo

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sonbridge pl

ried out. Mr Gieske said the entire amount had been provided for

in the company accounts up to December 31. Overali group turnover increased by 3.4 per cent up to the end of March, although the growth excluding acquisitions

was only 0.9 per cent. Electricity consumption stabilised at a growth rate of 0.3 per cent, after 18 months of decline in line with the German recession. However, RWE Energie was the main beneficlary from improved depreciation allowances introduced by the German government to increase corporate competitive-

In particular, RWE has been able to write off a large portion of the cost of its big environmental programme to reduce emissions from power stations.

Kühne & Nagel in public offer

By lan Rodger in Zurich

Kühne & Nagel, the international freight forwarding group, is going public with a placing this week of 161,000 bearer shares - 18 per cent of the enlarged capital - in Zur-ich and Frankfurt at SFr775 a

The group, in which Mr Klaus-Micheel Kühne will retain a majority stake, also posted a 15.5 per cent rise in consolidated net income last year to SFr44.6m (\$30.9m) on sales up 1.1 per cent to

Mr Bruno Salzmann, finance

director, forecast that net income would rise a further 12 per cent this year, suggesting the placing price was 15.5 times expected 1994 earnings. Mr Kühne, 57, decided on the placing as part of the arrangements to ensure an orderly succession. He has no heirs.

Viag Bayernwerk Beheer of Holland ecquired 33 per cent of the capital in 1992 when Lonrho of the UK, which had held a 50 per cent stake since 1981,

Viag has first refusal on Mr Kühne's shares, and its policy is for the public to hold large minority stakes in its subsid-

iaries. The placing consists of 91,000 existing hearer shares, being sold by Deutsche Handelsbank, and 90,000 new Following the placing, Mr Kühne will hold 51.6 per cent

of the capital and 56.7 per cent of the votes. Viag will have 30.3 per cent of the capital and 33.4 per cent of the votes. Mr Salzmann said the

group's medium-term targets were for annual cash flow of SFr90m to SFr95m and a 10 per cent annual rise in net income It planned a 40 per cent to 50 per cent distribution of profit in dividends.

loan portfolio was enhanced during the first quarter," said

Marzotto falls 74% to L10.2bn

By Andrew Hill in Milan

A slump in demand on the world clothing market has hit 1993 profits at Marzotto, one of Italy's largest clothing and textile groups.

The company, which controls Hugo Boss, Germany'a biggest menswear designer, vesterday reported a 74 per cent decline in net earnings to L10.2bn (\$8m), against L39.8bn in 1992. Net earnings in 1991 were L40.1bn.

Sales were little changed at L1,953bn, against L1,955bn, of which three-quarters came from the European Union. The parent company announced a net profit of

L4.4hm, compared with the 1992 loss of L44.7bn, which was struck only after some L70bn of extraordinary provisions. Sales of the parent company fell 8.3 per cent to L956bn, and operating profits were cut to L25.90n from L55.2bn.

Marzotto's caution was reflected in its decision to recommend a cut in dividends, to 1.150 per ordinary share from

However, the group said orders were up in the first quarter of 1994, both in Italy and in overseas markets. The end-March order book was worth L774bn, nearly 20 per cent higher than at the same tima last year.

Sales at the same date had reached L591bn, down 2 per cent on the first quarter of

The company explained that it was in Italy - particularly in the market for classic men'a clothing - that Marzotto felt the pinch last year. The group said the downturn

had offset growth in net profits from its textile manufacturing subsidiaries, and its holdings in Hugo Boss, and Limificio, a thread manufacturer.

Marzotto owns nearly 64 per cent of the voting stock of Hugo Boss, which last month announced 1993 profits 73 per cent higher at DM76.5m

In the first two months of the year, Hypo-Bank's group operating profits rose by 17 per cent, reflecting the hank's strong position in the buoyant

mortgage lending market. The issue is the fourth from e leading German bank in the past aix months. The most recent was Dresdner Bank's innovative DM1.2bn equity placing with international investors, details of which were announced last month. Of Germany's biggest five banks, only Deutsche Bank, the largest, has said it will not tsp the equity market for the time

Sydbank to acquire Aktivbanken

By Hilary Barnes in Copenhagen

Sydhank is to acquire Aktivbanken and become Denmark's sixth-largest bank with assets of about DKr50bn

(\$7.5hn). The takeover has solved a problem for Topdanmark, the insurance group, which bought Aktivbanken in 1989 for DERI.4bn. Since then Aktivbanken has run up losses totalling DKr581m.

Tondanmark's involvement with Aktivbanken were factors in the resignation last month of Mr Henning Birch, Topdanmark's chief executive, and Mr Oluf von Lowzow, supervisory board chairman.

After the deal, Topdanmark will own 22.6 per cent of the shares in Sydbank and Top's life assurance and accident pollcies will be sold through Sydbank's branches.

Sydbank will pay krone for krone for Aktivbanken's net assets with an issue of shares with a market value of about DKr410m. Sydbank will make an underwritten issue of shares with a minimum price of DKr210 per share.

Following the share issues, Sydbank'a capital adequacy ratio would be about 12 per cent, Topdanmark said. Mr Carsten Andersen, Sydbank chief executive, said cost savings, equal to at least 12 per

cent of the combined costs of

the two banks would be made.

loans registered in the period was moderate while several previous non-performers had

OMV posts record Sch4.4bn loss By Patrick Blum in Vienna of the group workforce at 11,743 extraordinery loss Sch3.49bn, to cover restructur-

OMV, the Austrian oil, gas and chemicals group, yesterday reported record losses for 1993 but a move back to profit in the first quarter of this year. It said losses for last year totalled Sch4.43hn (\$369m),

against Sch604.6m in 1992, on turnover of Sch81.93hn, down about 1 per cent. Losses on ordinary activity were Sch924m, compared with Sch264.5m in 1992. But an ing, inflated the deficit. There will be no dividend for 1993. Positive developments in the gas and trading branches, and in refining in the second half of the year, could not compensate for losses in the chemicals

and plastics branches, Mr Richard Schenz, chairman, said. The group has gone through a restructuring with plant closures and cost-cutting. More than 900 jobs were cut leaving

at the end of 1993. Gas and trading generated operating profits of Sch1.44bn and Sch160m respectively, with all other sctivities showing a loss. The biggest deficit was in

operating loss of Schl.2bn The group made e Sch190m pre-tax profit for the first quarter of this year, reflecting mainly the positive effect of restructuring over the past two years, Mr Schenz said.

the plastics division with an

Bavarian bank plans DM1bn rights issue

By David Waller in Frankfurt

Bayerische Hypotheken-und Wechsel-Bank, one of Germany'a two big Bavaria-based banks, is planning a one-for-10 rights issue. The terms will be fixed around June 20 and the issue of 2.3m new shares is likely to raise about DMIbn

The bank, which recently reported a 33 per cent rise in pre-tax profits for last year, said it needed the money in the context of atrong husiness -growth last year and in the early months of the current



REPUBLIC NEW YORK CORPORATION SAFRA REPUBLIC HOLDINGS S.A.

Consolidated Statements of Condition

These statements and summaries represent the consolidated accounts of Republic New York Corporation and its wholly owned subsidiaries and of Safra Republic Holdings S.A. and its wholly owned subsidiaries. Republic New York Corporation owns 48.8% of Safra Republic Holdings S.A., which is accounted for by the equity method.

		NEW YORK RATION	SAFRA REPUBLIC HOLDINGS S.A.		
	Marc	h 31,	Man	ch 31,	
	1994	1993	1994	1993	
Assets	(i	n thousands of US	except per share of	lata)	
Cash and due from banks	\$ 602,263 5,505,088 1,521,937	\$ 446,934 7,271,423 419,242	\$ 51,341 3,964,369	\$ 60,864 3,301,579	
Investment securities Trading account securities Federal funds sold and securities purchased	14,585,763 2,954,056	13,063,123 844,131	6,285,640 93,368	5,557,635 43,617	
Loans, net of unearned income Allowance for possible loan losses	2,159,596 10,051,994 (313,416)	1,769,200 7,925,159 (251,870)	1,251,398 (110,901)	1,173,516 (56,790)	
Loans (net)	9,738,578 4,795,335	7,673,289 3,282,057	1,140,4 9 7 329,003	1,116,726 280,081	
Total assets	\$41,862,616	\$ 34,769,399	\$ 11,864,218	\$10,360,502	
Liabilities Total deposits Trading account liabilities Short term borrowings Other liabilities Long term debt Subordinated long-term debt and perpetual capital notes	\$22,139,301 2,484,177 5,879,697 4,010,969 2,628,242 2,205,674	\$ 20,713,976 114,558 4,228,341 3,091,999 2,175,662 2,130,988	\$ 7,667,212 2,015,178 240,197 750,000	\$ 6,819,860 1,705,094 231,215 447,600	
Shareholders' Equity Cumulative preferred stock	556,425 714,802 1,265,093 (21,764)	556,425 711,288 1,046,162	904,302 343,608 (56,279)	901,870 254,863	
Total shareholders' equity	<u>2,514,556</u>	2,313,875	1,191,631	1,156,733	
Total liabilities and shareholders' equity	\$41,862,616	\$ 34,769,399	\$ 11,864,218	\$10,360,502	
Book value per share	\$ 37.32	\$ 33.67	\$ 67.17 \$ 5,779,502	\$ 63.37 \$ 3,697,565	
Net income, for the three months ended Net income per common share (primary) Average common shares outstanding (primary)	\$ 79,779 \$ 1.38 52,557	\$ 68,745 \$ 1.18 52,196	\$ 43,247 \$ 2,44 17,738	\$ 27,205 \$ 1,54 17,703	

Risk-Based Capital Ratios

As of March 31, 1994, Republic New York Corporation's risk-based core capital ratio was 16.15% (estimated) and total qualifying capital ratio was 27.80% (estimated.) The ratios include the assets, risk-weighted in accordance with the requirements of the Federal Reserve Board specifically applied to Republic New York Corporation on a fully consolidated basis and capital of Safra Republic Holdings S.A. Total consolidated assets are approximately US\$ 52 billion and total consolidated capital, including minority interest and subordinated debt, exceeded US\$ 5.3 billion.

Republic New York Corporation Fifth Avenue at 40th Street New York, New York 10018

Safra Republic Holdings S.A. 32, boulevard Royal 2449 Luxembourg

Geneva, Oibraltar, Guernsey, London, Lugano, Luxembourg, Milan, Monte Carlo, Paris, Zurich, Beverly Hills, Cayman Islands, Los Angeles, Mexico City, Miami, Montreal, Nassau, New York, Buenos Aires, Caracas, Montrevideo, Punta del Este, Rio de Janetro, Santiago, Beirut, Beljing, Hong Kong, Jakarta, Singapore, Sydney, Taipei, Tokyo

YOU WON'T BELIEVE YOUR





EARS

Just a quick glance at the Ericsson EH237 will cell you than here is a mobile phone with a lot going for it. Small, compact and obviously well designed, as you can

It has an illuminated keypad and a 199 name/number memory with instant access to emergency and directory enquiry services. Plus there's a choice of security and call

barring options, call timers and total call counts, automatic recall and last six-number redial So your eyes obviously don't deceive you. But you might think your ears do. Listen, can a mobile phone really sound

Partly it's due to something you'll already have noticed.

That stubby little aetial which you don't need to pull up when you make or receive a call.

Technically it's a helical antenna offering parabolic nance. But you won't want to know that, From your point of view it simply means that it works just as well

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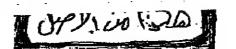
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O RT DATA FROM \$10 A DAY O SIGNAL SOFTWARE GLHOE O



INTERNATIONAL COMPANIES AND FINANCE

selling Madison Square Garden

By Richard Waters in New York

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Viacom, the US entertainment group, is considering selling its Madison Square Garden operations in a deal that ana-

lysts value at more than \$1bo. The company played down suggestions that it was being forced into a sale by the heavy debt load associated with its \$10hn takeover of Paramount Communications, the former

owner of the Garden. The operations include the New York venue itself, two professional sports franchises which play there and a sports cable television channel.

Viacom said it had had "expressions of interest from a number of parties" interested in buying the operations, but did not say how far these dis-

cussions had progressed. Mr Sumner Redstone, Viacom chairman, said: "While we have the option of retaining this extraordinary asset and building on its many strengths, it would be imprudent to ignore the many inquiries from

planned to explore a sale of MSG "as part of an orderly pro-cess for determining how best to maximise shareholder value in the company".

His statement follows intense recent speculation that Viacom is likely to be forced into selling a number of substantial assets.

To help service the debt resulting from the Paramount takeover, the company has been counting on the completion of its planned merger with Blockbuster Entertainment, the US video rental group. Blockbuster itself has little debt and strong cash-

Howevar, that transaction has looked in doubt as Viacom's B-shares, the currency for the deal, have tumbled in value in recent months. The shares rose \$% yesterday

to \$23%. In January, when Blockbuster first agreed to buy a \$1.25bn stake in Viacom, they were trading at \$55. Last week, Viacom said it

would sell some parts of Para-mount's publishing unit. possible buyers." Freeport-McMoRan

to separate units

Freeport-McMoRan, the New Orleans based natural resources company, will split its two principal businesses, copper and gold mining and agricultural minerals, into two independent financial entitles which will be distributed in a complicated transaction to

existing shareholders. Shares of the two new companies are expected to be more valuable than when they were combined as Freeport subsidtaries. The two businesses are "fair transaction", will have quite distinct, and their for the effect of converting much tunes often move in opposite of the company's debt into

directions. Mr Clarence Morrison, analyst with Prudential Securities; said the split would offer inves-

copper mining or fertilisers. Mr. James Moffett, Freeport-McMoRan chairman, said the proposed restructuring would benefit the companies and their securities holders by improving access to the credit markets, reducing debt service costs and eliminating possible liability cross-overs between the two companies.

Freeport's earnings have put in Indonesian operations rose in the first quarter, and because the company has insulated itself from copper price volatility using derivativesbased price protection.

By Laurie Morse in Chicago . On the agricultural side, Freeport is in a joint venture with IMC-Agrico that is expected to produce cost savings of \$95m by the end of its second full year. During the first quarter Freeport had net earnings of \$12.8m. or 9 cents a share Freeport-McMoRan Copper and Gold had operating earnings of \$53m, and Freeport Resources Partners, the agricultural division, had operating earnings of \$27.1m.

The restructuring, which one

Wall Street analyst called a equity without any share dilution. Freeport will distribute to its existing shareholders all of its. Interest in Presport-McMotors a clearer play in either Ran Copper and Gold in a. transaction it hopes will be tax-free. The deal is contingent on a favourable ruling by tax authorities, debt restructuring and shareholder approval.

After the distribution, Free port-McMoRan's business will consist solely of its 51 per cent interest in Freeport-McMoRan Resources Partners, a company which specialises in fertilisers and agricultural minerals.

been recovering, partly As part of the deal, Fresport because copper and gold out said it would begin to distribute Freeport McMoRan Copper and Gold shares to sharehold ers in lieu of first-quarter dividends at a rate of one Copper and Gold share for each 80 Freeport-McMoRan shares.

Falconbridge plans C\$1.3bn share issue

By Robert Gibbens in Montreal

Falconbridge, the west's second-higgest nickel producer, plans to go public again with a C\$1.3bm (US\$340m) share

Pricing will be set around mid-June. The offer is being made in Canada and by private placement internationally, said Mr Lars Eric Johannson, senior vice-president. Proceeds will help to pay off Falcon-bridge's C\$1.8bn debt.

Canada's Noranda and Trellaborg of Swadan aach acquired 50 per cent of Falconbridge five years ago for

per cent. But Trelleborg will

not participate and its interest will drop to 30 per cent. The public will hold about 25 per

Falconbridge's main operations are the nickel mines at Sudbury, Ontario, where new deep reserves have been found, the Kidd Creek copperzinc mine in northern Ontario. a nickel refinery in Norway and nickel mines in the Dominican Republic. It also owns one-third of the Calbin Collabu-

asi project in Chile.

Many analysts believe base metals prices are due for recovery with improving world eco-

nomic growth. C\$2.2hn.

After the offer, Noranda's led by Wood Gundy, Burns equity holding will be about 45 Fry, Gordon Capital and RBC Dominion Securities.

Telmex falls 14% in quarter

By Damian Fraser in Mexico City

Teléfonos de México, the country's monopoly telephone utility, reported net profits of 1.85bn pesos (\$566m) in the

Union Bank of Switzerland Finance N.V. U.S. \$250,000,000 Guaranteed Floating Rate Notes due 2002

Notes due 7002

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the six month period ending 4th November, 1994 has been faxed at 5% per ansum. The interest accuring for such six month period will be U.S. \$25.56 per U.S. \$1,000 Bearer Note, and U.S. \$255.56 per U.S. \$10,000 Bearer Note and U.S. \$2,555.56 per U.S. \$100,000 Bearer Note on 4th November, 1994 against presentation of Compon No. 4 Union Bank of Switzerland London Branck Agent Bank

29th April, 1994

first quarter, a drop of 14 per cent on the same period last

Telmer's profits were pushed down by an exchange rate loss of 719m pesos on foreign currency debt resulting from the dapreciation of the peso against the dollar and weakness of the dollar against the

Excluding the exchange rate loss, the underlying results showed robust growth. Operating profits reached 2.94bn pesos, a 13 per cent advance, while revenues climbed to 6,63bn pesos, an increase of the

same amount. The rise in sales was helped by unexpectedly strong growth of international telephone traific, which rose 22.3 per cent in the quarter, far higher than

last year's increase. Long distance traffic was up by 11.6 per cent, and local calls grew by 12.3 per cent.

Viacom looks at | Eastman Kodak prepares for a new image

The chairman has persuaded the company to embrace change wholeheartedly, writes Patrick Harverson

man of Eastman Kodak, that the group would sell its healthcare and household products businesses delighted Wall Street for a simple reason: many analysts and investors doubted that the new Kodak chief had the guts to do it. Ever since Mr Fisher took

over the helm at the struggling photographic products group last December following the resignation of his predecessor, Mr Kay Whitmore, Wall Street has waited for the new chairman to outline his strategy for turning around Kodak, which has been heavily criticised for its lacklustre financial perfor-

Most analysts were hoping ager while chairman of Moto-

George Fisher, chair off Kodak's non-core operations so that it could concentrate on its photographic products and imaging business. But few were sure that he would be able to engineer such a dramatic shift at a company renowned for its stodgy corporate culture and resistance to

> After all, Kodak had made five attempts in the past 10 years to restructure its businesses and generate better earnings, and all had failed. Why, critics asked, would it be any different this time? Yet, judging by the planned restructuring, Mr Fisher – who

change.

made a name for himself as a brilliant technologist and man-

The announcement by Mr Mr Fisher would choose to sell rola - has persuaded Kodak to imaging business, and its George Fisher, chair- off Kodak's non-core embrace change whola- Health Sciences division, a embrace change wholaheartedly.

Under the divestment plan unveiled yesterday, the group will sell its pharmaceutical and consumer health products unit Sterling Winthrop, its personal care and household products business L&F Products, and its Clinical Diagnostics division. Between them, the three businesses generated almost a quarter of Kodak's 1993 reve-

nues of \$16.4bn. When the divestment is com-plete - and Mr Fisher would not be drawn on whether the operations would be sold to another company or spun off in a public share issue – Kodak will be reduced to two main components. These are its

unit which, with its X-ray film and electronics-based medical, cardiology, and dental diagnostic businesses, is regarded as a

vital part of Kodak's imaging

strategy. The first impact of tha divestments will be to improve dramatically the group's financial condition. Kodak is labouring under \$7bn in debt, and the proceeds from the sale of the healthcare operations could eliminate the bulk of the group's debt at a single stroke. Kodak paid \$5.1bn for Ster-

ling in 1988, but that purchase was completed when US drug stocks were at their peak, so it is unlikely the unit will sell for

The restructuring will also allow Kodak to concentrate on daveloping its imaging busi-

Most of Kodak's photographic earnings are derived from its traditional film products, which uses a chemical process - the sensitivity to light from silver halide salts. Yet this business is threatened by the rapidly growing market for digital, electronic imaging.

r Fisher has taken steps to protect and develop Kodzk's core business, including the recent formation of a new unit to lead the group's involvament in electronic imaging. Further, similar measures are likely soon; as Mr Fisher said yester-

day, the divestments will allow Kodak to "attack a broader array of imaging opportunities

around the world. First, however, Kodak must dispose of its non-core businesses. The group should have little troubla finding a buyer for Sterling Winthrop, given the wave of merger activity in the pharmaceutical industry.

In fact, within hours of Kodak announcing its restructpring, the German drugs group Bayer expressed an interest in acquiring Sterling. Mr Fisher, however, said yes-

terday tha French company Elf Sanofi, a partner with Kodak in a worldwide drug sales venture, would get the first right of refusal to buy part or all of

Sanofi shows interest in purchasing pharmaceuticals businesses

By John Ridding in Paris

Sanofi, tha French pharmaceuticals group, is interested in acquiring a substantial part of Eastman Kodak's pharmaceuticals businesses, either on its own or with partners, following the US group's announcement that it would sell its healthcare activities.

The French group, a subsidiary of Elf Aquitaine, the recently privatised in which it was already involved with oil group, already has a far-reaching sterling, namely the US group's pre-

alliance with Sterling Winthrop, the pharmaceuticals arm of Kodak, which dates from 1991 and which is based on the Elf Sanofi-Winthrop joint venture. "Kodak's decision is a big opportu-nity for us to strengthen our pharmaceuticals activities in a rapidly chang-

ing market," said Mr Jean-François Debecq, Elf Sanofi chairman. Elf sanofi said it was examining the possible acquisition of the businesses

scription pharmaceuticals operations and its European over-the-counter drugs businesses. It said it was not interested in Sterling's US OTC operations, its household products or its diagnostic divisions.

Mr Dehecq said tha acquisition could be done alone or with partners. There are a number of possible partners," he said, adding that Elf Sanofi was in a strong position with respect to the sale of Kodak's pharmaceuticals businesses because of its agreements with Sterling.

Mr Dehecq said it was too early to estimate the size of the possible deals, but said Elf Sanofi would not need a capital increase. Instead, the company raised the prospect of a sale of assets

to help finance the operations. "Given the size of the possible transaction, we have begun a strategic review of business units in each of our three main activities," the company said, referring to its healthcare, beauty and bio-industry activities.

industry observers said Elf Sanofi was a natural buyer for the bulk of Kodak's pharmaceutical business because of their existing alliance.

Elf Sanofi and Sterling Winthrop have integrated their prescription drugs and OTC products on a countryby-country basis. The French group controls the European activities of the joint venture, with Sterling Winthrop

controlling operations in the US.

The stock market pushed Elf Sanofi shares down FFr43 to FFr975.





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S&P warns over Japanese banks' asset problems

in Tokyo

Asset-quality problems at Japanese banks, which face increasing bad-loan levels, will take several years to resolve, according to Standard & Poor's, the international credit

While the pace of increases in problem loans has slowed, the agency estimates that problem loans et 23 leading Japanese banks totalled Y30,000bn to Y35,000bn (\$275bn to \$321bn) for the business year ended last March - a substantial deterioration from the Y13,700bn in bad loans disclosed by 21 leading banks last

September.
The official figure given by the banks only includes loans to now-bankrupt borrowers, or those who have not paid interest for more than six months, while S&P broadly considers loans with the likelihood of becoming loss-making.

The credit agency recently downgraded its debt ratings on many of the leading Jepanese hanks due to the mounting pressure the banking system

"Japanese banks' biggest challenge now is how to extri-

By Kleran Cooke

sheets and cope with financial

ing transparency of the banks' asset problems and the slowing of the increase in new problem loans, the agency predicts that future downgrades of banks' ratings are less likely.

of Y22.9bn during April.

The company, set up by a consortium of banks, said it purchased e total Y4,585.1bn worth of bad loans backed by real estate collateral for Y2,253.9bn since it started operations in March last year. But only Y37.68bn has been recovered through sales of the real estate due to the slump in

Bank Bumiputra backs private power plan This is the third loan Bank Bumiputra has made in recent

Bank Bumiputra, the Malaysian state-owned bank part of the electricity industry. The bank says the loans - all

which has been dogged by con-troversy and had debts, is fully underwriting a M\$587m (US\$212.7m) loan to a consoriocal capital market. tium of iocal companies involved in Malaysia's independent power programme. The consortium, Powerteck,

has the license to build, own and operate a 440MW gas fired power station in Malacca, on the west coast of peninsular assets as quickly as possible without reporting red figures,'

But Without the prospect of a significant rebound in core earnings in the near term and with the equity market remaining sluggish, the clean-up process is expected to reduce financial flexibility as banks try to rebuild their balance

However, due to the increas-

• The Co-operative Credit Purchasing Company, the badloan purchasing organisation, said it bought Y65.1bn worth of bad loans from banks at a price

the property market.

months to companies involved wear and textiles group in the in Malaysia's plan to privatise

in ringgit, the Malaysian dollar R175.3m last year. show the maturity of the to R3.68bn from R3.18bn, However, some financiers boosted by the acquisition of

have expressed concern that Malaysian financial institutions, and Bank Bumiputra in particular, are too exposed in one sector. They have also asked why foreign banks have chosen not to become involved in the private power sector.

S African retailer lifted by

By Mark Suzman in Johannesburg

Heavy pressure on operating margins meant that Pepkor, South Africa's biggest retail group, was only able to increase operating profit by 8 per cent for the year ending February, to R275m (\$80.6m) from R267.2m.

tax changes

However, lower tax and finance charges meant that after-tax profit increased 16 er cent to R184.7m from Turnover rose to R8,24bn

from B7.76bn, largely due to increased market share achieved by core operation Pep stores, which target the mainly black, mass market. Shoprite, the subsidiary that controls supermarket chain Checkers, also performed well, withstanding the effects of a five-week strike and a flat

trading market to boost after-

tax profits 27 per cent to R43.56m from R35.79m. Announcing the results, management declared 1994 as the "most difficult [year] to date in the bistory of the group" but said the improving political and economic climate, particularly among the black consumers that constitute much of Pepkor's market, should help future perfor-

The company is also involved in negotiations which may lead to a hid for troubled UK retailer What Everyone Wents. Results of the bld will be known on Monday at WEW's annual meeting.

● Edgars, the clothing, foot-

South African Breweries sta-ble, increased after-tax profit 11 per cent to R17L2m from Sales increased 16 per cent

The results, which were boosted by a slight reduction in taxation and net financing costs, reflected an improvement in market share despite the continued depressed over-all trading environment.

Delayed issue damages emerging markets

Stefan Wagstyl and Sara Webb examine the postponement of a \$1bn Euroequity offer

he postponement yesterday of the \$1bn Euroequity issue by Videsh Sanchar Nigam (VSNL), the state-owned Indian international telecommunications monopoly, is a blow for the company, the country and

for emerging markets. But it is a blow from which VSNL, india and the markets can all recover. Financial ventures in developing countries are by nature risky. The fact that one attempt to raise funds has failed will probably not cast a permanent shadow over future offerings, though it may well make life difficult for Indian issuers over the next few months.

VSNL's decision to defer the issue after frantic talks with the government in Delhi and with the global co-ordinators, Salomon Brothers of the US and Kleinwort Benson of the UK, has left all involved feeling embarrassed.

There will be recriminations, particularly in India, where economic globali-sation and the disposal of state-owned assets are sensitive political questions. The issue failed mainly because of bad timing, compounded by over-ambitious pricing and, in the final stages, inflexibility in decision-making which made it impossible for the issuers to cut the price to save the offer.
From the start, VSNL was no ordinary offering. The Indian government, which owns 85 per cent, saw it as a flagship of its otherwise undistinguished portfolio of state-owned enter-

When VSNL indicated late last year its interest in an international equity offering, investment bankers drooled at the prospect, not least because India was in fashion in international markets. Salomon and Kleinwort secured the mandate for the issue against tough competition. Quite apart from the prestige of handling India's biggest-ever issue, there were the fees. The going rate for complex international offerings such as European privatisations is 3 per cent of the amount raised. If VSNL had raised \$1bn, it would have paid about \$30m - of which Salomon and Kleinwort would have received at least half.

Shares prices in Bombay soared between November and February, taking VSNL from about Rs650 to a peak of more than RsI,700 in January and February. This tempted VSNL and the government to double the size of the issue from \$500m to \$1bn and to aim for a price of Rs1,400 to Rs1,600.

But by the time the issue was ready for market in early April, the investors mood had changed. An increase in US interest rates had soured the markets, especially the volatile emerging markets. Potential investors told the company that the shares, priced at about 90 times 1993 earnings, were too expensive. In hasty talks last weekend, Salomon and Kleinwort tried to save the issue by securing permission to approach fund managers informally with a lower price. It emerged that the shares could be sold at Rs1,100 to Rs1,200, raising some \$700m and that investor demand would be sufficient for the deal to go relatively smoothly.

t seems that the VSNL board, gathered in London, wanted to proceed. So did Mr N Vittal, chairman of the government's Telecommunications Commission and an advocate of economic liberalisation, who was also in London. But in Delhi, in meetings late on Monday, others counselled caution, notably Mr Sukh Ram, the telecommunications minister who is opposed to over-hasty deregulation and who insisted that price was an issue for the Cabinet. The prime minister's office

agreed. So at 4am London time yesterday, the lead managers were asked to

postpone the offer: The decision has no immediate impact on VSNL since its investment plans are flexible and do not depend on

the issue for finance. The Indian government, which needs privatisation proceeds for cutting its fiscal deficit, will be under pressure to find funds elsewhere, it will also face criticism for having mishandled the deal. However, it will avoid accusations of having sold the "family jewels"

Indian companies, which raised about \$2.5bn in 1993-94 in Euroissues, are planning to raise a further \$9bn in 1994-95. Brokers and fund managers were divided last night how the VSNL failure would affect their prospects. Some thought future issues might also be postponed, but others thought the failure of VSNL would leave more funds available for other offers. Mr Jeff Chowdhry, director at Barclays de Zoete Wedd Investment Management, sald: "Inevitably this will put further lasues on hold but that may not be such a bad thing as it will create time for digesting Indian paper."

NEWS DIGEST

Ansett flies abroad from **September**

By Nildd Tait

Ansett, the Australian airline which is owned jointly by Mr Rupert Murdoch's News Corporation and TNT, the transportation group, yesterday unveiled its long-awaited plans to become an international

It will focus on routes to Japan and Hong Kong but defer plans for Malaysia, Singapore and South Korea. The new services will start

in September, using Boeing 747 aircraft leased from Singapore Airlines - part of a "wide-ranging strategic alliance" between the two carriers. Initially, there will be five flights a week to the new Kansai airport at Osaka, and three services a week to Hong Kong. Mr Ken Cowely, Ansett's

in Western Australia. chairman, said he expected the The Harlequin underground mine is the first new mining new operation to generate positive cashflow in the second year of operation. He said venture for Central Norseman start-up losses in the first year should not exceed A\$50m (US\$38m) while revenues should total around A\$150m. for three years. The mine will be located about 9km north of Norseman, and 1.5km west of Central Norseman's North

North Broken Hill

unit plans US buy

North Broken Hill Peko'e War

man International unit, which

makes siurry pumps, is negoti-ating to buy the assets of Bar-

rett, Haentjens, a US slurry

pump company better known

more than A\$200m, and said

that the acquisition would

bring in further turnover of

Central Norseman

Central Norseman Gold Corpo-

ration, 50.5 per cent owned by Australia's Western Mining

Corporation, is to go ahead

with the development of a gold

mining operation at Norseman

in new venture

Warman has annual sales of

as Hazleton Pumps.

Royal mine. No details of the develop ment cost were released, although it is understood to be in excess of A\$10m.

Savage Resources undersubscribed

Savage Resources, the Australian company acquiring the US zinc mining assets of Belgium's Union Minière for US\$200m, said its rights issue, designed to help fund the deal, was less

75 per cent subscribed. Some 135.8m shares, representing A\$169.7m, were committed to by shareholders, leaving 47.7m shares, or A\$58.9m-worth, to be taken up by the underwriters, Ord Minnett and Prudential-Bache.

The issue price had been set at A\$1.25 two months ago, when the stock market was at significantly higher levels.

Nigerian divestment agreed by Unilever

By Paul Adams in Lagos

Unliever, the UK-Dutch consumer goods group, has agreed plans to divest from its Nigerian affiliate, UAC, in which it has a 40 per cent stake valued at around \$46m.

UAC has evolved from a trading operation into Nigeria's largest manufacturing, packaging and distribution conglomerate, with the 60 per cent Nigerian-owned shares held by both private and institutional investors.

Unilever will re-invest the cash from the divestment in its core sectors, including food and personal products. UAC will remain the flagship com-pany of Nigeria but without foreign ownership and management for the first time in its 74-year history.

The Nigerian anthorities approved a complex restructur-ing of UAC and the transfer of Unilever's assets to a new holding company, Unilever Nigeria,

ensuring that no capital leaves

Unilever will retain its 40 per cent share in UAC's tractors and equipment division (the Caterpillar dealership), which will become a separate joint venture, and acquire all the shares in A.J. Seward, the consumer goods arm. The two holdings account for half the value ofstake in UAC.

Unilever will sell its shares in the other divisions of UAC and re-invest the capital in new ventures in Nigeria, all under the newly-formed Unilever Nigeria.

Unilever's remaining UAC shares (worth about \$21m at the current share price) will be offered for sale to the public at the same time as UAC issues new shares.

Company sources say that subject to clearance by an extraordinary general meeting in May and by the courts in June, the share offer will follow as soon possible.

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		1993	1992	CHANGE
CASH FLOW	SFR M	5,257	2,983	76%
NET PROFIT	SFR M	1,993	1,178	69%
SHAREHOLDERS' EQUITY'	SFR M	15,807	10,751	47%
RETURN ON EQUITY	SFR M	14.3%	11.9%	

*before deduction of minority interests

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⊗ ESSELTE

ANNUAL GENERAL MEETING Shareholders of Esselte AB are hereby invited to attend the Amual General Meeting of the Company to be held on Thursday, 19th May, 1994, at 5.00 pm at the offices of the Company, Sendbybergsvägen I, Solus, Sweden

Right to participate and notification

Shareholders who wish to participate in the Meeting
must be recorded in the share register maintained by Vardepapperscentralen
VPC AB (Swedish Securities Register Contex) not later than Monday, 9th
May, 1994, and

must notify the Company of their intention to attend the Meeting not later than 4.00 pm Monday, 16th May, 1994, by writing to Esselie AB, Box 1371, S-171 27 Solna or by telephone Int + 468 272 760.

Shareholders must state their name, address, personal or registration number

(where applicable) and telephone mu Where apparatus) and telephone uniform the name of a trust department of a bank or a private broker, must, in order to be eligible to participate in the Meeting, temporarily register their shares in their own name with VPC. Such registration must be executed on or before Monday, 9th May, 1994, and should sfore be applied for via such bank or broker in due time before the said date.

Agenda
In addition to the matters prescribed by the Swedish Companies Act and the Articles of Association the following matters will be addressed at the Annual General Meeting:

 The Board of Directors' proposal that the Company shall be a public limited company and that § I of the Articles of Association shall be amended to read as company and that § I of the Articles of Association shall be amended to read as follows: "The name of the company is Esseltte Akticbolag (pub)". The resolutions shall be subject to the adoption by the Rikedag of the Swedish government's proposal relating to public companies without any substantial mendments and shall be effective as from the operative date of such legislation. The Board of Directors further proposes that the Board, or whonever the Board appoints, shall be authorised to make such minor adjustments of the new wording of the Articles of Association as may be necessary in connection with their registration with the Swedish Pascut and Registration Office.

 The Board of Directors' proposal regarding the sale of all the issued share capital of the Company's French subsidiary Rover S.A., a minor portion of which capital is to be sold to officers of the subsidiary.
 The Board of Directors' proposal regarding the sale of twelve dormant aubsidiaries to Scriboan AB in consideration for a purchase sum corresponding to the aggregate amount of their equity.

Board of Director Shareholders, representing more than 45% of the number of votes for all shares in the Company, have informed the Company that they will propose to the Annual General Meeting the reelection of the present members of the Board.

The Board of Directors has proposed a first of SEK 2.75 for each share. The record date for payment of the dividend will be Wednesday, 25th May, 1994. If the shareholders at the Amual General Meeting approve the proposal, it is expected that the dividend payment will be mailed by VPC on Wednesday, 1st June, 1994. Solna, April 1994 Board of Directors

Mortgage Securities (No.1) Pic £19,100,000 Class A

Mortgage Backed Floating Flate Notes due 2023 In accordance with the

provisions of the notes, notice is hereby given that for the Interest period 29th April, 1994 to 29th July, 1994 the notes will carry an interest rate of 5.55% per annum.

Interest payable on the evant Interest payment date 29th July, 1994 will amount to £1,383.70 per £100,000 note. Agent Bank: Bank of Scotland

Mortgage Securities (No.1) Plc £20,000,000

provisions of the notes, notice is hereby given that for the nterest period 29th April, 1994 to 29th July, 1994 the notes will carry an interest rate of 5.75% per annum.

Mortgage Backed Floating Rate Notes due 2023

Interest payable on the relevant interest payment date 29th July, 1994 will amount to £1,433.56 per £100,000 note. Agent Bank: Bank of Scotland

LEGAL NOTICES Please contact

Fax: 071, 873 3064

TO ADVERTISE YOUR

on 071 873 4842

Guaranteed floating rate notes due 1998 Notice is hereby given that the

LKB Baden-Württemberg

Finance N.V.

US\$1,000,000,000

notes will bear interest at 4 May 1994 to 4 November 4 November 1994 will amount to US\$23.32 per US\$1,000 note and US\$233.19 per US\$10.000 note and US\$2,331.94 per

Agent: Morgan Guaranty Trust Company JPMorgan

SCARIPLO

US\$200,000,000 Floating rate depository receipts 1998 Issued by

The Law Debenture Trust

Corporation plc evidencing entitlement to payment of principal and interest on Caripio-cassa di Risparimo

Delle Provincie Lombarde

S.p.A, London Branch Notice is hereby given that the 4.6875% per annum from 4 May 1994 to 4 August 1994. Interest payable on 4 August 1994 will amount to US\$119,79 per US\$10,000 and US\$1,197.92 per US\$100,000 Agent: Morgan Guaranty Trust Company

WI

Mortgage Securities (No.3) PLC

JPMorgan

\$63,000,600 Class Ai \$39,000,000 Class A2 £15,000,000 Class A3 \$8,000,000 Class B Mortgage backed notes due

For the interest period 29 April 1994 to 29 July 1994 the notes will bear interest as follows:

Class A.I., 5.6250% per annum Class A2, 5.8000% per annum Class A3. 5.9000% per annum Class B. 6.2500% per ann Interest payable 29 July 1991 will be as follows: A1. \$573,72 per \$40,910.00 note AZ \$1,446.03 per \$100,000 note

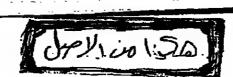
A3. \$1,470.96 per \$100,000 note B. \$1,558.22 per\$100,000 note Agent: Morgan Guaranty Trust Company

JPMorgan

Weekly Petroleum Argus The unique source for all industry news, commerce and Petroleum Argus







Attention Kemper Shareholders

The Kemper Annual Meeting is next week.

The question before you is clear: Do you want Kemper sold now for full and fair value? If so, send that message to Kemper's Board and management by voting for the election of GE Capital's nominees on the BLUE proxy card today.

In making your decision, you should consider the following:

6 GE Capital's \$55 per share proposal provides shareholders with a significant premium.

Our proposal is almost 40% over the market price of Kemper's common stock on January 26, 1994 (\$38% per share), when we first approached Kemper's management and expressed our interest.

Ask yourself: Where would Kemper's stock be without the GE Capital proposal?

GE Capital should be given an immediate opportunity to review Kemper's real estate portfolio to determine if a higher price is warranted.

Kemper has said "NO". NO to our proposal—and NO to sharing with us the information necessary to justify an increased price.

Therefore, the question for you, Kemper shareholders, is: Should Kemper be sold now for full and fair value?

We will follow your wishes. If we win, our nominees are committed to an immediate sale of Kemper for at least \$55 per share.

If not, we will withdraw our proposal.

WE URGE YOU TO SIGN, DATE, AND MAIL THE BLUE PROXY CARD TODAY.



- IMPORTANT

if your shares are held for you by your broker or bank, only your broker or banker can vote your shares and only upon receipt of your specific instructions. If you have not already instructed your proker or bank, only your broker or banker can vote your shares and only upon receipt of your specific instructions. If you have not already instructed your proker or bank, only your broker or banker can vote your shares and only upon receipt of your specific instructions. If you have not already instructed your proker or bank, only your broker or banker or banker to vote your shares and only upon receipt of your specific instructions. If you have not already instructed your proker or bank, only your broker or banker to vote your shares and only upon receipt of your specific instructions. If you have not already instructed your proker or bank, only your broker or banker to vote your shares and only upon receipt of your specific instructions. If you have not already instructed your proker or bank, only your broker or banker to vote your shares and only upon receipt of your specific instructions. If you have not already instructed your proker or bank or bank your broker or banker can vote your shares and only upon receipt of your specific instructions. If you have not already instructed your proker or banks or bank your broker or bank

with General Electric Capital Corporation's recommendation and the second of the secon

US Treasury prices recede in thin trading Index shows widespread

By Frank McGurty in New York and Sara Webb in London

US Treasury bonds receded in thin trading yesterday as dealers adjusted their positions ahead of Friday's important data on labour market conditions last month.

By mid-session the beochmark 30-year government bond was down % at 86%, with the yield rising to 7.351 per cent. At the short end of the yield curve, the two-year note was % easier at 99½, to yield 5.837 per

Earlier, prices had drifted lower as the market followed through on the previous session's selling and on weakness in bonds overseas.

The negative tone was worsened when traders misconstrued comments made by Mr Wayne Angell, a former Federal Reserve governor recently named as chief economist at Bear Stearns, the New York per cent in March, against a

securities house. Mr Angell said that if the Federal reserve intended to lift interest rates again before its May 17 policy-making session, it would probably have done so yesterday.

It was later made clear that Mr Angell thought the likelihood of a move yesterday was

But speculation over an immediate tightening had only a brief impact on prices. The long end of the maturity range soon climbed off its session lows, resulting a flattening of the yield curve.

A fresh decline in the dollar against the yen and D-Mark had little impact on the market. Neither did the day's economic news. The Commerce Department

said that the leading indica-tors, designed to predict future

economic strength, rose by 0.7

Instead, most retail accounts were sitting on the sidelines, while dealers were unwinding speculative positions set up earlier in anticipation of April

consensus forecast of a 0.6 per

GOVERNMENT **BONDS**

employment data due at the end of the week. The result was a modest slump across the

■ European government bond markets closed lower, with the UK and Spain experiencing the sharpest declines yesterday. UK government bonds were depressed by the combination

of unfavourable M0 data, politi-

cal jitters ahead of the local

elections and lack of investor

measure M0 was reported growing at an annual rate of 6.2 per cent in April, above the expected figure of 5.8 per cent. Dealers said that the figure implied that consumer spend-

ing remains robust, and therefore reduced the prospect of a near-term cut in the base rate. Meanwhile, dealers complained at the poor investor interest in the gilts market. "Investors just remain sidelined in these conditions," said

The Liffe gilt futures contract opened at 105.30, touching a high of 105.31 early in the day and settling at 104.28 - but shortly after settling, the con-tract dropped down to a low of 104.18 in the late afternoon.

NEW INTERNATIONAL BOND ISSUES

■ Spanish government bond prices were hit early in the day, mainly on continning twists and developments in the

its opening level of 97.10 and fell to a low of 96.35, settling at 96.50.

■ German bunds ended lower after a fairly volatile session, with little immediate news to focus on apart from the prospect of another interest rate cut at today's repo, traders

After fairly generous cuts at the last two weekly repo operations, the repo rate stands at 5.47 per cent, and dealers said they expect to see a further lowering of the rate by between three and seven basis points today.

The Liffe bund futures contract opened at 95.20 - which was also the high of the day fell back, then recovered and finally dropped down again to a low of 94.88 by late afternoon.

The narrow money supply measure M0 was reported growing at an annual rate of 52 net count in Auril shows the

Most government bond markets suffered declines in the first four months of 1994, ranging from a 0.15 per cent drop in Italy to a 7.81 per cent decline in the UK gilt market. J. P. Morgan's bond index

Much of the negative performance was triggered by the sell-off in the US Treasuries market, where strong economic growth, mounting inflation concerns and Fed tightening combined to drive yields higher and increase volatility.

This apilled over into Europe, where signs of stronger-than-expected economic revival added to market jitters, J.P. Morgan states. Japan was the only govern-

ment bond market to post positive returns in April, rising by 0.17 per cent in local currency terms on the back of a stronger yen, low inflation and signs of continued weak economic activity.

European government bonds posted further losses last month, in spite of continued easing by the Bundesbank and accompanying rate cuts by other central banks.

Total returns in Europe fell by 0.81 per cent, with Sweden, the worst performer, shedding as much as 1.56 per cent. The UK market also performed poorly in April, falling by 1.21 per cent in response to inflation concerns and increasing political uncertainty ahead of forthcoming local and European parliamentary elections.

Shedding only 0.03 per cent Italy was Europe's top performing market, supported by hopes for a stable new government following the victory of the right wing alliance in the

March elections. Spain, Europe's other highyielder, was the second-best performer, declining by 0.41

Unhedged US dollar investors benefited from the strength of most major currencies against the dollar last month. In US dollar terms, the index rose by 0.49 per cent. The yen's appreciation contributed to a total return of 1.41 per cent on Japanese government bonds in US dollar terms. Similarly, the lira's strength heined Italian bonds show a 1.16 per

Volatile conditions keep activity to a minimum

interest, dealers said.

Eurobond issuance dried to a trickle yesterday, with Jepanese markets slowed by Golden Week holiday, and tomorrow's UK local elections and Friday's US jobs data looming.

Voletile conditions in some of the underlying government bond markets are keeping activity to a minimum.

INTERNATIONAL BONDS

"A lack of investor interest doesn't usually stop underwriters from issuing bonds, but given the current volatility, they're less inclined to hold unplaced paper on their books," said one syndicate offi-

get announcement tomorrow The triple-A rated government agency issued C\$125m of 71/2 per cent three-year bonds priced to yield five basis points over the interpolated govern-

ment bood yield curve. around 71/2 basis points by the close, said lead manager

mvestors, the issue was said to be slow to place. However, one dealer said the spread was likely to tighten, as it did with the recent three-year issue for Canada's Export Development Corporation, which now yields substantially less than government bonds after being issued

The day's other deal was a self-led L200bn issue of 9% per cent 10-year bonds with a fouryear call option for Credito

7.98 1174 7.92 11074 7.94 934 7.99 1104, 27 - 99334 7.91 1054 8.13 12332 8.12 10982 7.92 954 8.22 1097 8.32 1097 8.32 1097 8.32 1097 8.32 1114

9.49 8.45 8.31 9.56 10.53 9.11 7.37 7.38 8.94 8.04

- 년 128년 - 101년 - 101년 - 128년 - 128년

116% 109% 92% 109% 105% 123% 109% 94% 109%

That spread widened to Hambros Bank. Targeted mainly at retail

flat to them.

Borrower CANADIAN DOLLAR Canadian Wheet Board(a ITALIAN LIRE Credito Italiano, HK(b) 100.30 8.75 Credito Italiano LUXELEROUSIG FRANCS Final terms and non-callable unless manager. R: fixed re-offer price; feet at par. c) Tranche A. d) Tranche 6.

maturity (80 basis points over the corresponding government bond) and 10.29 per cent to its four-year call date (130 basis points over). According to Mr Niccolo

Nuti, head of capital markets at Credito Italiano, the issue saw strong demand from Italian investors attracted by the high counon and the familiar

8.25 7.97 5.41 8.39 8.10

48<u>13</u> 4312±1 99 35¹4 304 384

stands a good chance of achieving a successful economic performance, its debt is unlikely to achieve an investment grade credit rating in the foreseeable future, the European rating agency IBCA said.

Examining prospects following last week's first multiracial elections, IBCA warned that overseas capital flows to

residents; that investment has been low and needs to rise sharply; and that the balance of payments has been a traditional weakness of the

economy. Consequently, the scope for a rise in living conditions is limited and there is little scope for income redistribution if the

Buoyant Paris stock market puts brokers back in black

By Alice Rawsthom in Paris

France's stockbrokers moved back into the black last year due to the buoyant state of the Paris stock market, which helped them to return to profit after three years of heevy

The latest figures from the French Stockbrokers' Association show that the 57 French stockbrokers made collective net profits of FFr1.01bn (\$179m) in 1993. The surplus compares with an aggregate deficit of FFr1.96bn for the three preced-

ng years. The chief catalyst for the return to profits, eccording to the association, was the "explouring costs" for the stockbrokers themselves. Last year marked a turning

point for France's stockbrokers, which suffered severely during the sluggish climate of the early 1990s.

The industry then faced the parallel problems of low vol-ume - reflecting weak demand for French equities following the bullish conditions of the mid-1980s - and fierce competition fuelled by the arrival of foreign houses in the Paris market.

These problems were aggravated by the strategy adopted by some of France's big banks of using their stockbroking subsidiaries as loss-leaders to protect their positions elsecult for the incoming foreign

However, the Paris atock market rallied last year as for-eign funds poured into France. At the same time the supply of equity increased, due to a atreem of issues from private sector companies and the Balladur government's privatisation programme.

The programme began last year with the sale of the state's stake in Banque Netionale de Paris, and is continuing with the current Union des Assur-

ances de Paris issue. As a result, the industry has benefited from increased demand and an improvement in the Paris stock market'a long-standing liquidity problem, which has enabled the stockbrokers to return to

Medium coupon yield — — High coupon yield — May 3 Apr 29 Yr. ago May 3 Apr 29 Yr. ago

May 8. Apr 28 Yr. ago May 3 Apr 29 Yr. ago 9.17 9.08 9.53 9.11 9.07

Apr 28 Apr 27 Apr 26 Apr 25

braved the Canadian dollar Italiano. At less full fees, the	high coupon and the familiar that overseas capital flows to	skills of the middle class white sion in volume trading during where in the financial sector, the year combined with a "sig-nificant reduction in restruct-ket and making life more diffi-
WORLD BOND PRICES BENCHMARK GOVERNMENT BONDS	ftaly	FT-ACTUARIES FIXED INTEREST INDICES
Red Dey's Week Month Coupon Date Price change Yield ago ago	MOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (UFFE) Lim 200m 100ths of 100%	Price Inclices Tue Day's Fit Accrued xd adj. — Low coupon yield — — Medium coupon yield — — High co UK Gitts May 3 change % Apr 29 interest ytd May 3 Apr 29 Yr. ago May 3 Apr 29 Yr. ago May 3 A
Australia 8,500 08/03 106,6300 -0,280 8,45 3 19 7,98 Belgium 7,250 04/04 98,2600 +0,060 7,50 7,59 7,23 Canada* 6,500 06/04 97,8500 -1,650 8,34 8,12 7,95 Denmark 7,000 12/04 98,1000 -0,450 7,26 7,38 8,93 Franca BTAN 8,000 05/98 108,1250 -0,380 8,22 6,38 5,76	Open Sett price Change High Low Est, vol. Open Int, Jun 112,05 111,90 -0.41 112,95 111,55 34841 77185 Sep 111,20 111,30 -0.41 111,30 111,20 12 2026	1 Up to 5 years (23) 122.74 -0.13 123.12 1.34 4.34 5 yrs 7.86 7.52 7.10 7.87 7.80 7.40 7.99 7.2 5-15 years (23) 144.73 -0.49 145.45 1.83 4.84 16 yrs 7.97 7.87 8.02 8.08 7.99 8.44 8.37 8.3 Over 15 years (9) 163.50 -0.91 165.10 2.51 3.76 2.0 yrs 7.97 7.87 8.24 8.08 7.98 8.54 8.26 8.46 8.26 8.26 8.26 8.26 8.26 8.26 8.27 8.28 8.29 8.29 8.29 8.29 8.29 8.29 8.29
OAT 5.500 04/04 89.9700 -1,030 6.93 8.96 8.56 Germany 6.000 09/03 96,7900 +0.610 6.46 8.63 6.33	# ITALIAN GOVT, SOND (STP) FUTURES OPTIONS (LIFFE) Liza200m 100ths of 100% Strike PUTS PUTS	Index-linked May 3 Apr 29 Yr, ago May 3 Apr 29 Yr, ago
Haly 8.500 01/04 96.2000 -0.200 9.081 8.96 9.11 Japan No 119 4.800 08/99 108.4450 40.360 3.33 3.40 3.43 No 157 4.500 08/03 104,1070 40,280 3.89 3.98 4.01	Price Jun Sep Jun Sep 11150 1,29 2,60 0,89 2,70	6 Un to 5 years (2) 184.48 -0.08 184.84 0.42 2.53 Up to 5 yrs 3.51 3.47 2.70 2.55 2.51 1.88 7 Over 0 years (11) 178.01 -0.29 178.54 0.83 1.69 Over 5 yrs 3.52 3.50 3.99 3.34 3.32 3.41
Netherlands 5.750 01/04 93,7400 -0.160 5.84 5.81 6.48 Spain 10.500 10/03 108,0000 -1,150 9.49 9.36 9.19 UK Offs 8.000 08/99 92-31 -20/32 7.65 7.61 7.20 6.750 11/04 90-26 -49/32 8.06 7.83 7.63	11200 1.02 2.27 1.12 2.97 11290 0.81 2.05 1.41 3.25 Est. yol, lotal, Calis 1841 Puis 936, Provious day's open int., Calis 84742 Puis 80569	9 All stocks (13) 177.80 -0.27 178.29 0.78 1.77 5 year yield
9.000 10/08 107-00 -57/32 8.17 7.96 7.79 US Treasury 5.875 02/04 91-10 -18/32 7.12 6.93 6.77 6.250 09/23 86-20 -27/32 7.37 7.22 7.08		9 Debs & Loans (75) 132.50 -0.29 132.86 2.13 4.17 8.86 8.88 9.02 9.17 9.08 9.53 9.11 9 Average grows redemption yields are shown above. Coupon Bends: Lown 0%-7%%; Mediant 8%-10%%; High: 11% and over, it flut yield, yiel Year to disks.
ECU (French Govt) 6.000 04/04 90.7200 -0.720 7.35 7.38 6.95 London closing, 'New York mid-day Yielda: Local market standard, † Gross (sockeding withholding last at 12.5 per cont payable by nonresidents) Street 18.3 bit in 2004s, entered in disclared.	Spaint M Notional Spanish Bono Futures (MEFF)	
Prices: US. UR in Sands, others in declarat US INTEREST RATES	Open Sett price Change High Low Est. vol. Open Int. Jun 97.10 96.50 -0.80 97.10 96.36 52,765 117,139	FT FIXED INTEREST INDICES May 3 Apr 29 Apr 28 Apr 27 Apr 26 Yr ago High' Low Apr 29 Apr 28 Apr 27 Apr 26 Apr 27 Apr 28 Apr 27 Apr 28 Apr 27 Apr 28 Apr 27 Apr 28 Apr 28 Apr 27 Apr 28 Apr 27 Apr 28 Apr 27 Apr 28 Apr 28 Apr 27 Apr 28 Apr 27 Apr 28 Apr 27 Apr 28 Apr 28 Apr 27 Apr 28 A
Lunchilimo Treasury Bills and Blood Yields One worth 5.62 Two year 5.64	Sep 96.90 823	Govt. Sees. (UK) 95.18 95.98 96.00 96.34 96.06 95.04 107.04 95.18 Git Edged bargains 86.0 115.1 116.6 189.0 Fixed interest 114.45 114.92 115.41 115.74 115.42 111.00 133.87 114.45 5-day everage 103.1 110.3 114.5 115.9
Prime rate: 64 Two properts 3.68 Three year 5.17 Broker hain rate 5 Three month 4.14 First year 5.72 Fod Specks 5 3/2 Six points 4.61 10-year 7.12	UK	• for 1934, Government Securities high white complisher: 127.40 (8/1735), low 49.18 (3/1/75). Fixed interest high since complisher: 133,87 (21/1/94), low 50,03 (3/1/75), Backs 100; Government 20 and Fixed interest 1935. SE activity indicate robused 1974.
	NOTIONAL UK GRIT FRITURIES (LIFFE) 250,000 32nds of 100% Open Sett price Change High Low Est. vol Open Int.	
BOND FUTURES AND OPTIONS	Jun 105-30 104-28 -1-13 105-31 104-19 52416 119896 Sep 104-00 -1-12 0 398	FT/ISMA INTERNATIONAL BOND SERVICE
E NOTIONAL FRENCH BOND FUTURES (MATIF)	M LONG CILT FUTURES OPTIONS (LIFFE) \$50,000 64ths of 100%	Listed are the latest international bonds for which there is an adequate secondary market. Listest prices at 7:00 pm; on Mary 3 Insued Birt Offer Chg. Yield Issued Birt Offer Chg. Yield Issued Birt Offer Chg. Yield Issued Birt Offer Chg.
Open Sett price Change High Low Est. vol. Open Int. Jun 120.84 120.50 -0.48 120.92 120.50 151,042 139,444	Strike	U.S. OCLLAR STRAIGHTS United Kingdom 7 ¹ g 97 5500 103 ¹ g 103 ⁵ g 5.97 Abboy Natl Trenducy 0 03 2 1000 96 ⁵ g 95 Abboy Natl Trenducy 6 ¹ g 00 1000 82 82 ¹ g - 100 103 ³ g 116 Alberta Frontiers 9 ³ g 95 600 104 ¹ g 104 ² g - 6.05 World Bank 0 15 2000 25 ¹ g 26 - 16.62 British Land 6 ² g 23 2 150 90 ³ g 95
Sep 119.96 119.60 -0.52 119.98 118.70 3,603 18,938 Dec 119.18 118.70 -0.60 118.16 118.70 665 3,121 • LONG TERM FRENCH BOND OPTIONS (MATIF)	106 1-14 2-11 1-22 3-11 106 0-51 1-50 1-59 3-50	Austria 6/2 00
Strike CALLS PUTS Price Jun Sep Dec Jun Sep Dec	Est. vol. totel, Calle 3974 Puts 5534, Previous day's open Int., Calle 86548 Puts 77023	8xigham 9fg 98 250 103 100 100 100 100 100 100 100 100 100 100
120 1.33 1.60 - 0.83 2.08 · 121 0.76 · 1.50 1.19	T	Canada 9 96 1000 1044 103 -14 6.13 Austria 42 05 1000 100 100 100 44 4.50 Japan Dev Bit 7 05 2 200 90/2 91 Chaung Kong Fin 51 98 000 90/2 914 -14 8.14 Council Europe 41 96 250 10112 10214 -12 4.31 Land Secs 91 07 2 200 1017 100
122 0.36 0.90 1.79 239 0.13 0.64 0.75 2.58 124 0.05 0.40	ECU BOND FUTURES (MATIF)	Caina 672 04 1000 Desmanth 474 69 1000 S674 99 478 4.48 Ontario 1174 01 2 100 11173 112 Count Europe 8 96 100 10034 10034 14 6.44 EB 845 04 500 10074 100 10072 100 6.54 Powerper 875 00 5 200 10074 100 111 112 5.91 Sewan Teach 1174 09 5 100 1173 112
Est. vol. total, Calls 34,851 Puts 48,728 . Previous day's open int., Calls 426,812 Puts 309,877,	Open Sett. price Change High Low Est. vol. Open int. Jun 87.60 87.36 -0.24 87.76 87.36 2,882 7,740	Dermant 54, 98
Germany NOTIONAL GERMAN BUND FUTURES (LIFFE) DM250,000 100ths of 100%	Us	EB 7½ 95 250 102½ 103½ ¼ 6.34 Kobe 6½ 01 240 107½ 100 ½ 5.10 TCNZ Fis 9½ 02 NZ\$ 75 106½ 106 EB 9½ 97 1000 107½ 107½ ¼ 6.56 Octavio 6½ 99 400 100½ 100½ 5.62 CF994E 10 98 FF 2000 100½
Open Sett price Change High Low Est. vol Open Int. Jun 95.20 94.88 -0.24 95.20 94.72 90802 167658 Seo 94.58 94.46 -0.19 94.72 94.39 859 13554	W US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%	Eurolina 9 ¹ 4, 98 105 105 ¹ g 105 ² g - ¹ 4, 8.22 SNOF 7 6 ¹ 4 450 112 ¹ 4, 112 ¹ 4, - ¹ 4 5.43 SNOF 9 ¹ 4, 97 FF 4000 107 ² g
Sep 94.58 94.46 -0.19 94.72 94.39 859 13554	Open Latest Change High Low Est. vol. Open int. Jun 104-12 104-13 -0-02 104-15 104-02 673,675 413,643 Sep 103-13 103-15 - 103-04 103-04 7,983 55,567	Export Dev Carp 91/2 96 150 10834 10854 -1e 7.11 World Blank 7 01 600 111 11112 5.05 FLOATING RATE NOTES Finland 71/9 97 200 1031e 1055e 5.57
Strike CALLS PUTS Price Jun Sep Jun Sep	Sep 103-13 103-15 - 103-16 103-04 7,983 55,567 Dec 102-18 102-27 -0-09 102-27 102-16 1,695 33,181	Findsh Export 9 th 95 300 100 th 10 th 10 th 14 8.14 YEN STRAKERTS
9450 0.98 1.52 0.60 1.56 9500 0.70 1.27 0.82 1.81	Japan	GMAC 9 ¹ g 96 200 104 ¹ g 104 ¹ g - ¹ g 6.67 Finland 6 ¹ g 96 80000 106 ¹ g 197 + ¹ g 3.02 Edglum is 97 DMd 500 100.08 ind Bit Jappan Fin 7 ² g 97 300 102 ¹ g - ¹ g 7.00 inter Amer Dev 7 ¹ g 05 30000 117 117 ¹ g + ¹ g 4.02 EFGE -0.02 06 360 96.76
9550 0.48 1.06 1.10 2.10 Est. vol. total, Calls 11867 Puts 10900. Previous day's open lint., Calls 334295 Puts 308038	E HOTIONAL LONG TERM JAPANESE GOYT. BOND FUTURES (LIFFE) Y100m 100km of 100%	Inter Armer Day 7kg 98 200 10212 1022k
MOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)' DM250,000 100ths of 700%	Open Close Change High Low Est. vol Open int. Jun 112.92 113.11 112.92 390 0	Kansal Elec Power 8 ¹ g 99 390 106 ³ g 108 ³ g - ¹ ₂ 6.38 Norway 5 ³ g 97 50000 105 ³ g 105 ³ g + ¹ ₃ 2.96 Creat Lyonnules & 00 600 98.75 Korea Elec Power 8 ³ g 99 1350 87 87 ³ g - ² ₈ 6.88 Norway 5 ³ g 97 13000 105 ³ g + ¹ ₃ 3.27 Denmote ¹ g 95 1000 98.50
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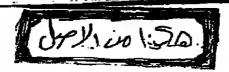
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Brown & Jackson still |Institutional unease over Lasmo bid terms in talks with Pepkor

FINANCIAL TIMES WEDNESDAY MAY 4 1994

By Andrew Bolger in London and Mark Suzman in

Pepkor, the South African retailer, is still holding talks with Brown & Jackson, the troubled discount retailer which last month announced a rescue deal with the Weisfelds. the millionaire couple who created the What Everyone Wants

B&J shareholders are scheduled to vote at an EGM next Monday on the plan for Mr Gerald and Mrs Vers Weisfeld to inject 26m to meet the lossmaking group's immediate working capital needs, in return for a 19 per cent stake and two seats on the board. A Pepkor director said in

Johannesburg: "We certainly are negotiating but discussions are at a very sensitive stage and we cannot yet confirm that we are making a bid for the company.

Neither Mr Christo Wiese. Pepkor's executive chairman. nor Mr CE Moore, the group's. finance director, were in South Africa on Monday - even though that was the day of Pepkor's annual results. Both that and them."

CEPSA have sold Proquimica,

their joint chemical storage

business venture in Barcelona.

Spain, to Terminales Portu-

arias for Pta2.09bn (about

strategic decision not to main-

tain an investment in chemical

storage facilities in the

The sale follows CEPSA'e

the UK, US, Australia and lona".

DIVIDENDS ANNOUNCED

Dividence shown pencer per share net, Vincludes special.

Powell Duffryn unwinds

Powell Duffryn and its partner South Africa, intends to rein-

The company, which also locations, rather than increas

owns bulk storage facilities in ing our investment in Barce

Current Date of ponding payment payment dividend

May 31 2.8 July 20 7.25

Spanish joint venture



Gerald and Vera Weisfeld: planning £8m injection

are currently believed to be in England. B&J. which owns the Poundstretcher chain and had been in talks with its bankers, said last night: "We will not comment on market rumours. Ever since our problems began, a number of people have been in touch. The only people to put a deal on the table are the Weisfelds - and we are pleased with

vest the proceeds in upgrading

and extending the range of ser-

storage activities.

0.15

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vices offered through its other

Mr Bill Andrews, Powell's

chief executive, said that CEP-

SA's decision to withdraw "led

us to conclude that our bulk

liquid storage activities would

be better served by redeploying

resources to our other termina

for

1.25 1.15 6.8

Pepkor is Africa's largest mass-market retailer. The group's core business, PEP, retails goods to a predominantly black customer

Its international presence has been hitherto restricted to Scotland but it has been on the lookout for further international acquisitions.

B&J's shares were unchanged at 5½p yesterday.

Govett **Oriental** assets rise

Surging Pacific stock markets during 1993 led to a 52 per cent rise in net asset value per share at Govett Oriental Investment Trust over the year to March 31, writes Rethan Hutton.

The figure grew from 262,07p to 397.63p, but more than half of that rise was achieved by the interim stage. Falls in most Asian markets since the start of 1994 have limited second half growth.

Available revenue was £2.34m (£2.54m), for consolidated earnings of 1.3p (1.41p) per share. A proposed final dividend of 0.75p makes a 1.15p (0.95p) total.

As at end-March, 31.8 per cent of the trust's assets were in Japan, compared to 25 per By Robert Corzine and Peggy Hollinger one institutional investor in both com-

COMPANY NEWS: UK

Shareholders in rival explorers Enterprise Oil and Lasmo were yester-day expressing unease over the terms and structure of Enterprise's hostile £1.5bn offer.

Some of the largest institutional stakeholders say they are not yet convinced by Enterprise's arguments that it needs to reach a "critical mass" in order to increase the return to both companies' shareholders in a climate of low oil prices.

"Enterprise would have to put together a more compelling argument for merging the two businesses," said panies.

Enterprise yesterday posted its offer documents to Lasmo shareholders, prompting Mr Rudolph Agnew, Lasmo chairman, to charge that the bid "smacks of desperation and the pursuit of size for its own sake".

Shareholders' main concerns appear to be the valuation placed on Lasmo, which so far excludes a cash alternative, the unusual equity structure and the timing of the bid. The offer of 27 Enterprise A shares and 12 warrants for every 80 Lasmo shares, in effect creates a new class of shareholder with limited dividend rights.

One Enterprise shareholder said the equity structure prompted fears that the company was seeking to offset risk which it was not prepared to take. It "raises suspicions that there may be something they might be worried about," the investor said.

Another institution suggested the paper offer may have overvalued Lasmo'e assets. Enterprise says a cash element, either through a cash sweetener or underwriting arrangements, could be contemplated. But executives are concerned it would weaken its argument that the proposed financing arrangement gives Enterprise maximum flexibility to develop the combined assets

Mr Andrew Shilston, Enterprise finance director, said yesterday that a cash bid "forces you to run the assets for cash, and therefore doesn't give you scope to unlock all the value of the

Enterprise is expected to try to persuade shareholders that an independent Lasmo will miss opportunities while it completes large development programmes, such as Liverpool Bay. But Mr Joe Darby, Lasmo chief executive, yesterday said "he wouldn't be too happy" spending much more than the £50m a year on exploration and assessment given the uncertainty over prices.

Laura **Ashley** sells \$27m US stake

By David Blackwell

The US subsidiary of Laura Ashley, the clothing and fur-nishings retailer and manufacturer, is selling its 44.4 per cent holding in Reyman Industries, the North American bed linen designer, manufacturer

Laura Ashley will receive \$27.1m (£18m), comprising \$19m in cash plus the redemption at par value of preferred stock which amounts to

The directors stated that the company would also receive accrued dividends on the preferred stock. The purchaser is Aeon

Group, the Japanese store con-cern, which holds 15 per cent of Laura Ashley and is its joint venture partner in Japan. Mr Andrew Higginson, Laura Ashley's finance director, said the disposal was part of the group's policy of return-

ing to its core business. The proceeds could help accelerate capital expenditure plans, including doubling the number of European stores to

The improvement at the lossmaking US subsidiary was continuing, he said. Revman would continue to sell Laura Ashley bed linen, the best selling brand in the US, under licence.

Last year Laura Ashley's share of Revman's profits bonds. came to more than £2m.

Uncertainty is the only certainty

Heron bondholders meet again on interest deferral. Maggie Urry reports

nly one thing is certain restructuring must bring more when Heron International's bondholders meet again this morning to vote on a deferral of bond interest. This time there will be a quorum.

When they first met, on March 31, holders of only 35 per cent of the bonds voted. The quorum was 50 per cent. Today the quorum is only two bondholders.

The conclusion of the votes, though, is by no means sure. A yes vote would mean that the interest payment, which was due on March 31, would be deferred to June 30. But there is a strong chance that bondholders will vote no.

However, a no vote has become almost irrelevant to Heron, Events at Mr Gerald Ronson's property and trading group have moved on since it originally warned bondholders in March of a "significant potential for cross defaults" if they did not vote in favour of

the deferral. After the March 31 meeting Heron was technically in default on the bonds. But investors did not require the trustee to take action for early payment of the bonds and the Heron empire did not collapse.

Instead, Heron is embroiled in another full scale restructuring of its balance sheet, only months after the completion. last September, of a refinancing of its then £1.4bn of debts, which included a swap of some bank debt into equity, and the replacement of other bank debt and existing bonds with new

equity into the group. Mr Basil Vasiliou, who chairs Vasiliou & Company, a New York debt trader which, with other Wall Street houses, reckons to speak for about 20 per cent of the senior bondholders, argues that "the solution is very apparent". He advocates swapping all

Heron's remaining debt into equity, and then arranging a listing for the shares which would provide liquidity for lenders seeking a cash exit.

However, bank lenders are unlikely to find that an attractive route. Many banks still have both a philosophical and a balance sheet problem with taking equity, even though in Heron's case senior bank lenders have already had 70 per cent of their debt exchanged for equity and can now see their remaining senior debt trading at about 45p in the

pound. A listing could take some time to arrange, and might not be possible until 1996 or 1997, although some off-market transactions, for example allowing banks to sell shares to institutions, could take

A less attractive, but more likely solution, is that a bidder comes in to buy all the group's debt and equity. Heron's pre-ferred option seems to be that a bidder would provide a cash exit for those lenders wanting to realise and give others a continuing equity interest in the group.

A bid is likely to be worth

substantially less than the 70p Inevitably, the second in the pound of assets which



Gerald Ronson: group's future should soon be secured

Heron has to cover its £300m of senior debt, and nearer the 45p where that debt is trading. But it would be more than the 30p or so that a receiver might

As one interested party observes: "Cash is always more persuasive than equity in a bank's short-time horizon", and cash of 45p now might be more attractive to banks than 70p in the medium term, and the possibility of even more

UBS, Heron's adviser, is understood to have found good interest among a range of potential bidders from venture capitalists to wealthy property investors. Already some are said to be doing due diligence investigations and Heron is believed to be confident that a firm offer will be available for board consideration by the end

That should enable proposals to be put to creditors by the

Whether or not the present management would be kept on by a new owner is another matter, though many creditors, Mr Vasilion included, are supportive of Mr Ronson and his

With the prospect of a bid in view, a no vote at today's meeting would not result in bond-holders demanding action from the trustee.

Rather, bondholdera are tempted to vote against the deferral as a protest at the behaviour of one of Heron's groups of bank lenders.

These are the lenders to the Heron Corporation (HCP) subsidiary which are seen to be obstructing the passing of £70m of cash in HCP to the "head office" company which would more than pay the bondholder's interest. These lenders, of which

about half are also lenders to the "head office" group, have a right to complete repayment of their loans before any cash is "upstreamed" to the parent.

The 40 HCP lenders are enforcing this right, although HCP has assets reckoned to be worth at least twice its debts, and the lenders have already been repaid substantial amounts early. These include £150m paid last November which was due in March this year, and a £57m payment last week of £160m due next March.

While Heron's future should soon be secured, some doubt must remain while groups of creditors with differing interests continue to fight in public.



Important Results announcement

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> London Hilton on Park Lane Tuesday 21 June 1994

The awards are based on a MORI survey of fund managers and analysts who are asked to rate the investor relations activities of the companies they follow

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TENDER NOTICE

UK GOVERNMENT ECU TREASURY BILLS

For tender on 10 May 1994

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 10 May 1994. An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England for the account of the Exchange Equalization Account.

2. The ECU 1,000 million of Bills to be issued by tender will be dated 13 May 1994 and will be in the following

ECU 200 million for maturity on 16 June 1994 ECU 500 million for maturity on 11 August 1994 ECU 300 million for maturity on 10 November 1994

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London not later than 10.30 a.m., London time, on Tuesday, 10 May 1994. Payment for Bills allotted will be due on Friday, 13 May 1994.

 Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with ESO, Euroclear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Securities Office of the Bank of England after 1.30 p.m. on Friday, 13 May 1994 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank Pic, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 500,000 and ECU 10,000,000 nominal.

7. Her Majesty's Treasury reserve the right to reject any or part of any tender. 8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1989, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of that Information Memorandum (as

9. The ECU 50 million of Bills to be allotted directly to the Bank of England for the account of the Exchange Equalization Account will be for maturity on 10 November 1994. These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum (as supplemented) in order to facilitate settlement.

10. Copies of the Information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England 3 May 1994



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FINANCIAL TIMES



Incorporated with limited liability in the Republic of France

Share Capital: FF678,898,020

Head Office: 7 rue de Téhéran, 75008 Paris, France

Since the Extraordinary General Meeting held on Tuesday, 26th April, 1994 at 3.00 p.m. was held to be inquorate, shareholders are hereby informed that an Ontinary General Meeting and an Extraordinary General Meeting will be held at the Hotel Meridien Etoile, 81 Boulevard Gouvion Saint-Cyr 75017 Paris on Tuesday. 10th May, 1994 (AGM at 10.30 a.m., EGM afterwards) to consider the same agenda:

Annual General Meeting

- Report of the Board of Directors and the auditors: - Approval of transactions falling within Article 101 of the law of 24th July, 1966;
- Approval of the accounts for the year ended 31st December, 1993 and quitus to the Board of Directors;
- Allocation of profits and determination of dividend;
- avment of dividend in shares:
- Renewal of the authorisation to the Board to deal in shares of the Company on the Stock Exchange;

Power of Attorney for carrying out formalities.

Extraordinary General Meeting Reports of the Board of Directors and the auditors; authorisation to be conferred on the Board of Directors: to increase the capital, on one or more occasions, up to a nominal value of FF300 million by assuing new shares

of an existing class for cash with subscription rights reserved for shareholders as prescribed by law; to issue, on one or more occasions, in France or abroad, marketable securities, giving the right through conversion, exchange, redemption, presentation of a warrant or otherwise, to the allotment of shares the maximum nominal value of shares issued pursuant to such allotment being limited to FF150 million, with maintenance of the shareholders' preferential subscription rights:

3. to issue, on the conditions set our under resolution 2, marketable securities with waiver of share

nominal amount of FF5,000 million, the maximum nominal value of shares issued pursuant to such allotment being limited to FF150 million, with waiver of shareholders' preferential subscription rights; 5. to issue, on one or more occasions, in France or abroad, bonds convertible into shares up to a maximum

nominal amount of FF7,500 million, with waiver of shareholders' preferential subscription rights;

6. to limit to FF150 million the total amount of the increase in capital that may be permitted by virtue of the authorisations contained in resolutions 2, 3, 4 and 5 above and the authorisations contained in resolutions 5, 7,

9 and 11 of the EGM of 30th May, 1990 which remain in force; 7. to increase the share capital, on one or more occasions, to the event of a cash or share offer for the securities of the Company, up to a limit of FF300 million, by the issue of new shares, with maintenance of shareholders'

to increase the share capital, in the event of a cash or share offer for the securities of the Company, as permitted
by virtue of the conditions in resolution 7 with waiver of shareholders' preferential subscription rights;
 to issue, on one or more occasions, in the event of a cash or share offer for the securities of the Company.

shares with warrants attached up to a maximum of FFI50 million, the maximum nominal value of such an issue being lumited to FFI50 million with maintenance of shareholders' preferential subscription rights; 10. to increase the share capital in the event of a cash or share offer for the securities of the Company by virtue of the conditions in resolution 9 with waiver of shareholders' preferential subscription rights;
 11. to limit to FF300 million the total amount of increase in capital that may be permitted by virtue of the

authorisations contained in resolutions 7, 8, 9 and 10;

12. to grant the power of attorney for carrying out formalities. All shareholders will be entitled to attend the Meeting, regardless of the number of shares held.

To be enotied to attend or to be represented at the Meeting.

holders of registered shares toust be recorded in the Company's share register at least five days before the date

holders of bearer shares must deposit at the head office of the Company or at a branch of the institutions listed below, at least five days before the date of the Meeting, a certificate evidencing that the shares have been deposited with authorised intermediaries until the date of the Meeting:

Lazzrd Brothers & Co., Limited, 21 Moorfields, London EC2P 2HT, ENGLAND. Lazard Frères et Cie, 121 Boulevard Haussmann, 75008 Paris, FRANCE. Crédit Lyonnais, 19 Boulevard des Italiens, 75002 Paris, FRANCE. Banque Paribas, 3 Rue d'Antin, 75002 Paris, FRANCE. Banque ramas, 3 Kue d'Antin, 75002 Paris, FRANCE.
Banque de Neuffize, Schlumberger, Mallet, 3 Avenue Hoche, 75008 Paris, FRANCE.
Crèdir Industriel et Commercial de Paris, 66 Rue de la Victoire, 75009 Paris, FRANCE.
Socièté Gènérale, 29 Boulevard Haussmann, 75009 Paris, FRANCE.
Banque Transidantique, 77 Boulevard Haussmann, 75009 Paris, FRANCE.
Crèdir du Nord, 6 et 8 Boulevard Haussmann, 75009 Paris, FRANCE.
Lymnaise de Banque, 8 Rue de la République, 60000 Long. ED ANCE. Lyounaise de Banque. 8 Rue de la République, 69009 Lyon, FRANCE. Banque Nationale de Paris, 16 Boulevard des Italiens, 75009 Paris, FRANCE. Générale de Banque, 3 Montagne du Parc, Brussels, BELGIUM. Banque Indosuez, 96 Boulevard Haussmann, 75008 Paris, FRANCE. Lombard, Odier et Cie, 11 Corraterie, Geneva, SWITZERLAND. A. Sarasin et Cie, 107 Frenersrasse, Basle, SWITZERLAND. J. Vontobel et Cie, Bahnhofstrasse 3, Zurich, SWITZERLAND. Banque Worms, I Place des Degrès, 92059 Paris la Défense, FRANCE. Banque Demachy et Associés, 223 Rue Saint Honoré, 75001 Paris, FRANCE. Caisse des Dépois et Consignavens, 56 Rue de Lille, 75007 Paris, FRANCE.

Any Shareholder wishing to amend the Meeting in person should request an entry ticket from one of the above institutions. Provy Forms must be received by the Company at least five days before the three of the Meeting. A Shareholder can only be represented either by another method in the Meeting, or by his spotter of legal representative.

Provy Forms sent to the Company for the Meeting on 26th April, 1994 remain valid for the second Meeting on 10th May, 1994. Shareholders who have not returned their forms can do so under the terms of the above Condition.

COMPANY NEWS: UK

Manchester United's non-football activities have a growing importance. Tim Burt reports

Reds launch an attack on off-field operations

n May 8, more than 44,000 of the faithful will file into Old Trafford to watch one of Britain's more successful small companies at work.

When Manchester United takes the field for its last home game of the season, all minds will be concentrated on football, its core business.

But for the directors watching that afternoon's clash with Coventry City, the Reds represent much more than a talented squad dominated by Eric Cantona, Ryan Giggs and And-

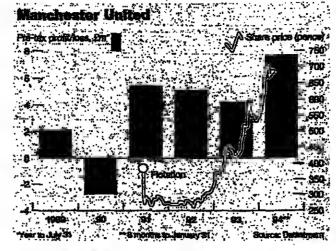
It has become a multi-layered business in which turn-over from gate receipts has been outstripped by secondary income from merchandising, television, sponsorship, the conference business and cater-

Underlining their growing importance to the club, these non-footballing activities helped lift first-half profits by 65 per cent to £7.6m.

Together they contributed more than £12m to turnover which rose 75 per cent to £22.8m in the six months to

Whila the fans savour the prospects of the double adding the FA Cup on May 14 to the Premiership won earlier this week - the board has turned its mind increasingly to off-field activities which, it believes, could safeguard the company's finances should the beam be hit by a run of poor form, injuries and failure to

succeed in cup competitions. That risk is minimised primarily by season ticket sales, which swell the club's coffers in the July before each season. Following the completion of the £10.3m Stretford End stand,



boasting 49 boxes and 864 club class seats, the portion of advance sales has increased sharply and helped lift average turnover for each home game from £580,000 to £767,000.

Non-season ticket receipts, meanwhile, have been matched by sales from other sources such as catering, programmes and merchandise.

Mr Robin Launders, finance director, believes the growth of non-core activities, including financial services, sets Manchester United apart from almost every other football

Their year-round contribution offsets the seasonal aspect of the footballing business and generates profits long after the players have hung up their

All this enables the board to estimate, conservatively, what the company will earn each season. It can calculate receipts from the guaranteed number of home games, likely television distribution revenue, and profits on sponsorship, royalties and merchandise.

It allows Manchester United - one of three quoted clubs to set aside e portion of after-tax earnings for its transfer fee reserve - essentially a pot of distributable cash for buying and selling players. "We always budget for the

worst ecenario: that we are hovering near the relegation zone and have failed in the cup competitions," says Mr Laun-ders. "It's then that we would fall back on the transfer fee

reserve to rebuild the team." Profit from cup competitions can, therefore, be treated as exceptional gains which can be used to top up the reserve and increase the club's ability to

buy new players. The size of those profits will be substantially boosted next season by inclusion in the European Cup competition the Continent's premier cham-

pionship. Seeded along with the likes of AC Milan and Ajax, Italian and Dutch champions respectively, the club will accrue the benefit from three home ties in the league stage, along with

NEWS DIGEST

maker which has undergone



Ryan Giggs: key member of the United team chasing the double

about 2500,000 from UEFA. A reasonable run in the competition could bring in about £2m. Mr Launders regards the prospect as a virtuous circle, which will prompt increased demand for season tickets and non-core products such as videos, souvenirs and even financial services.

"If we can play football in an attractive way which wins competitions it is a

"We already have a guaranteed income, but if we can persuade more people to support us it creates spin-off benefits for our other businesses."

So far this year, success on the field and lucrative sideline businesses have left the club with a transfer fee reserve increased from £2.25m to

It has also generated \$5.9m net cash which, true to his conservative financial principles, Mr Launders has invested mostly in gilt-edged stock. He says such investments not only give the club fixed interest rates, but 48-hour access to funds should it need a large sum to buy a player.

More importantly, it gives

Manchester United financial stability in a notoriously uncertain industry.

112

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"We're in a unique position compared with most clubs," he says. "New businesses like wholesaling have brought in more revenue and we don't need to borrow to buy new

"It shows we are still a football team but we're prepared to seize every financial opportu-nity which comes out of that."

income share of 7.13p (5.94p). A second interim dividend of 2.9p

(2.8p) is declared, which with a special dividend of 1p makes a

total for the year of 6.8p (5.6p).

Deficit for Premium

As promised in its prospectus,

Premium Underwriting issued

a progress report yesterday showing pre-tax losses at

£32,442 for the initial period to

The prospectus statement

expected costs to exceed

income until 1997 when Lloyd's

Underwriting

Elswick focuses on core areas

Elswick reported pre-tax losses of £1.48m in a year of increasing focus on its core areas of specialised print and packag-ing and agrochemicals.

The outcome for the 12 months to end-January, struck after a restatement of £5.59m of goodwill written off in prior years, came from turnover up by £3.7m to £54.2m and compared with a profit of

crose on the disposal of Bom ford Turner, sold for £7.7m last November, which belped to

At the operating level, profits rose by 23 per cent from 22.88m to £3.55m, of which £1,35m came from discontinued operations. An exceptional provision of

£400,000 was made at the year end in connection with surplus leasehold properties, compared with a £248,000 gain last

Interest charges were cut from £971,000 to £536,000. Losses per share emerged at 1.14p (0.78p earnings) and a final dividend of 0.18p is proposed, making 0.33p (0.3p) for

Charles Letts shows The restatement of goodwill £785,000 profit

In its first results since being bought by its management, Charles Letts Group, the diary from 0.5p to 1.25p.

refinancing and restructuring, announced a pre-tax profit of £785,000 for the year to January 31 1994. The outcome compared with

a restated loss of £7.51m, Turn-GBE Intl rises

18% to £2.8m

Profits of GBE International, the engineering equipment group formerly known as Downiebrae, rose by 18 per cent to £2.8m pre-tax over the year ended December

Turnover expanded from £34.7m to £37.4m while earn-3.06p to 3.82p.

Morgan Guaranty Trust Company

of New York, Mainzer Landes

D6000 Frankfurt am Main.

Swiss Bank Corporation,

The single dividend is lifted

Orders anticipated in the last quarter failed to materialise and this was expected to affect operations during the opening half of 1994. However, those orders had

gins directors expected the second half performance to be "excellent Nevertheless, the shares closed 8p lower at 66p.

now been received and with a

good order book at good mar-

Jove Investment net asset value at 66.99p

Jove Investment Trust reported net asset value per capital share of 66.99p at Feb-

ruary 28, compared with 38.38p r earner. Net revenue for the year to

(£841,226) for earnings per

and paid.

February 28.

Although it was too early to writing results for 1994, the end-February was £1.01m directors believed the year bad

results for 1994 were declared "started satisfactorily".

FIDELITY INTERNATIONAL FUND Société d'Investissement à Capital Variable Place de l'Etoile, B.P. 2174 L-1021 Luxembourg Luxembourg B 24 054

NOTICE OF ADJOURNED EXTRAORDINARY GENERAL MEETING

The Shareholders of Fidelity International Fund (the "Fuod") are hereby recoovened to an Adjourned Session of April 15, 1994 Extraordinary General Meeting of Shareholders to be held on May 20, 1994 at the registered office of the Fund, Kansallis House, Place de l'Etoile, in Luxembourg at 12.00 am, with the following:

To approve the merger of the Fund into Fidelity Funds, a "Société d'Investissement à Capital Variable" under the laws of Luxembourg having its registered office at Kansallis House, Place de l'Etoile. Luxembourg.

(i) the report of the Board of directors explaining and justifying the merger proposal published in the Mémorial. Recueil Special of Luxembourg on November 25, 1993, no 561.
 (ii) The audit report prescribed by article 266 of the law of 10th August 1915 regarding commercial companies prepared by Coopers & Lybrand, Luxembourg.

and subject to approval of the said merger proposal by the shareholders meeting of Fidelity

1. to approve such merger proposals:

 to approve the allocation of shares in Fidelity Funds - International Fund in exchange for the contribution of all assets and liabilities of the Corporation to Fidelity Funds - International Fund, a fund set up within Fidelity Funds at the ratio determined on the effective

date of the merger on the basis of the respective net asset values per share;

3. to state that upon the issue of the shares of the class International Fund in Fidelity Funds to the shareholders of Fidelity International Fund, all the shares of Fidelity International Fund in issue shall be cancelled and Fidelity International Fund shall be dissolved;

 to approve that all steps shall be taken by the Board of directors of the Corporation for the implementation of the merger proposals. Resolutions on the agenda of the Adjourned Extraordinary General Meeting will be adopted if voted by two thirds (2/3) of the shares present or represented.

The following documents shall be at the disposal of the sharebolders for inspection and for copies free of charge at the registered office of the Corporatioo: the Merger Proposals and the related Merger Agreement,
 the annual reports of the Corporation and Fidelity Funds for their respective last three

financial years. 3. the semi-annual report of the Corporation for the period ended May 31, 1993, 4. Interim financial statements as at October 31, 1993 for the Corporation, 5. the reports of the Board of directors of the Corporation and of Fidelity Funds.

6. the report of Coopers & Lybrand relating to the merger proposal. In order to take part to this General Meeting, owners of bearer shares will arrange for evidence of

Kredietbank S.A. Luxembourgeoise 43. Boulevard Royal L-2955 Luxembourg

Oo behalf of Directors



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NOTICE OF REDEMPTION

Arab Banking Corporation (B.S.C.) orporated with limited liability in the state of Bahrain)

U.S.\$ 150,000,000 Floating Rate Notes due 2000 (the "Notes")

Arab Banking Corporation (B.S.C.) hereby gives notice that pursuant to Condition 5(b) of the Notes it has elected to redeem all of the outstanding Notes on the Interest Payment Date falling on 10th June, 1994 (the "Redemption Date"). Payments of principal and interest will be made against the surrender of, respectively. Notes and matured Coupons, at any specified office of any Paying Agent, by dollar cheque drawn on, or transfer to a dollar occount maintained by the payee with, a bank in New York City subject in all cases to any fiscal or other laws and regulations described in Condition 7 of the Notes. On the Redemption Date of the regulations described in Condition 7 of the Notes. Un the Kommission February Notes, all minimum of Coupons relating thereto (whether or not attached thereto) shall be void and no payments shall be made in respect thereof.

Notes will become void unless presented for payment within ten years and matured Coppous within five years from their respective Relevant Dates (as defined in Condition 7 of the Notes).

Principal Paying Agent

15 avenue Emile Renter. P.O. Box 2108,

Paying Agents Morgan Guaranty Trust Company Avenue des Arts 35

B-1040 Brussels. Morgan Guaranty Trust Company of New York, 60 Victoria En London, BC4.

PUBLIC NOTICE

المؤسّسَة المسريقية المصروفيّة (الدرم ب) Arab Banking Corporation (B.S.C.)

C.R.No. 10299

Resistered Office: 19 Peel Road, Douglas, Isle of Man Place of Business: 203 me de Bâle, 68100 Mulhouse, France

may be conducting insurance business which requires authorisati

The Insurance Authority wishes to confirm that

Any persons aware of the activities of intrasurance Lim

Intrasurance Limited does not hold any such author

Isle of Man Government Insurance An S & F House 12/14 Ridgeway Street Island Men IMI 1EN

Telephone: (0624) 685695/6/7

PolyGram

DIVIDEND 1993

At the annual general meeting of shareholders of PolyGram N.V. held on 29 April 1994 a dividend in eash for the fluancial year 1993 has been declared of 0.75 Netherlands guilders per share on the company's outstanding common shares of 0.50 Netherlands guilders

The dividend for holders of

earer shares will be payable as of 16 May 1994 on delivery of the dividend coupon Number 4; payment is subject to deduction of 25 per cent Netherlands withholding tax. The dividend coupon Number 4 is payable at the ABN AMRO Bank N.V. Herengracht 595, Arnste

Holders of CF certificates are entitled to the dividend providing that they have deposited their closing date of 29 April 1994 with a custodian affili to the 'Centrum voor payment is subject to deduction withholding tax. with dividend for shareholders on the company's register in Beam as at 29 April 1994 will be wired on 16 May 1994 to the shareholders concerned, after Netherlands withholding tex. The dividend for shareholden on the company's register in New York as at 8 May 1994 will be periodic on 24 May 1994. Shareholders will receive advice by mail regarding payment and withholding tex arrangements.

Residential Property Securities No. 2 PLC

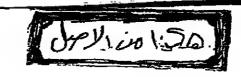
£200,000,000

Mortgage Backed Floating Rate Notes 2018 The rate of interest for the three month period 29th April, 1994 to 29th July, 1994 has been fixed at 5.575per cent. per amium.

Coupon No. 24 will therefore be payable on 29th July, 1994 at £1,389.93 per coupon.

rest charging balances of Mortgages redeen previous Interest Period: £4,355,380,31 Aggregate interest charging balances of Mortgages rede 29th April, 1994: £203,993,668.29 The aggregate principal amount of Notes outroinding as at 29th April, 1994: £85,400,300.

S.G.Warburg & Co. Ltd. Agent Bank



FINANCIAL TIMES WEDNESDAY MAY 4 1994

COMPANY NEWS: UK

France for growth

Budget fears dampen Silentnight sales

By Andrew Bolger

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The change to a November Budget hindered recovery in the UK furniture markat, according to Silentnight Holdlugs, Europe's biggest manufacturer of beds.

The Lancashire-based group said retailers found that the run-up to the chancellor's package in November created financial uncertainty during what had historically been its main selling season, before It added: "The announce-

ment of tax increases to take effect in April undoubtedly hit consumer confidence and had a dampening effect on

Silentnight, which issued a

profits warning in March, yes-terday reported a 8 per cent increase in pre-tax profits to £124m in the year to January 29. Sales rose by 9 per cent to £167m.

Mr Bill Davies, executive chairman, said: "There have been few tangible signs yet of an improvement in the UK furniture market." He added that the sale of big-

ticket price items was very sensitive to changes in consumer sentiment, particularly in the middle to lower end of the market, although the top end was more stable. The group's UK beds busi-

ness experienced significant margin pressure and profits declined, although sales rose by 2 per cent to £101m.

Mr Davies said the production of Silentnight beds was being concentrated in one factory, with the existing plant at Sutton being closed. This would involve the loss of about 70 jobs at a cost of £750,000, which would fall in the current

Sales in the UK cabinets business rose by 15 per cent to £43m and profits also increased. Silentnight continued to invest about half its capital expenditure of £8.7m (£8.8m) in the cabinets business, which increased its estimated share of the UK market from 5 per cent to 6 per cent. The group's share of the UK bed market was stable at 32 per cent.

The group said overseas

businesses had continued to improve. Its German manufacturer of beds and mattress bought in 1992, contributed sales of £12.5m and continued to provide a good return. The previously lossmaking US subsidiary was now breaking

Earnings rose to 17.62p (17.14p). A 0.5p cut in the final dividend to 5.25p maintains the total at 8p. Mr Davies said this was intended to restore the one-to-two balance betwaen interim and final payments, reflecting the group's strong seasonal bias to the second

While accepting the Budget posed a particular problem last

Compass Group, the catering

and healthcare company that

last week announced plans to

buy Canteen Corporation, the

third largest US caterer for \$450m (£308m), yesterday

switched its attention to

It is acquiring, through Scan-

dinavian Service Partner, its

European airport catering arm,

the airport restaurant division

The business's main contract

is with Charles de Gaulle Air-

of Saresco for £10.7m cash.

year, analysts were surprised the group gave such a downbeat view on the trading out look. One asked whether the continuing pressure on mar-gins meant the strategy of having several brands in tha mature market for beds was fundamentally flawed. Whether or not it signals any more rationalisation, the com-bining of the Silentnight plants will hit first-half profits. There is also irritation that the group will not identify the profits contribution from cabinets, in which it has been investing heavily. Forecast pre-tax profits put the shares, unchanged yesterday at 304p, on a pro-spective multiple of 16.1 - a 5 per cent premium to the mar-ket, which looks high enough.

It has 28 restaurants and

bars and made pre-tax profits

last year of FFr3m (£350,000) on

Assets were about £4.5m at

the year end, including net

cash of £2m. Mr Fritz Ternofsky, chief

executive of Compass's Euro-

pean catering operations, described the acquisition as an

"ideal first step for the group

in France". Compass surprised the City

with its US acquisition plans

last week. Mr Francis Mackay,

chief executive, said tha

group would continue to

expand organically

turnover of FFr127m.

Substantial increase to **A\$76m** at ICI **Australia**

By Nikki Talt in Sydney

ICI Australia, the quoted Australian company in which Imperial Chemical Industries holds a majority interest, reported a sharp increase to A\$76.4m (£36.7m) in profits after tax for the six months to end-March.

The outcome compared with A\$48.4m last time, struck before abnormal items of A\$10.6m. There were no abnormal charges in the latest set of

ICI attributed the upture to a 7 per cent volume increase, control of costs and a reduction in interest charges, down from A\$19m to A\$13.9m.

In divisional terms, the chemicals business saw trad-ing profits little changed at A\$49m (A\$50m), with demand healthy but caustic soda prices

Tha plastics division incurred a reduced loss of A\$6m (A\$12m) as it continued to struggle against low world

Trading profits from fertilisers and crop-care rose from A\$8m to A\$15m, while the con-sumer and effect products division contributed A\$76m

ICI added that "while prices generally seem likely to remain low and competition keen, result for the full year should satisfactorily exceed 1993 if the improved business

climate is maintained". The interim dividend goes up from 7 cents to 11

The company also revealed that a decision is likely to be reached this week on whether to proceed with the construction of a A\$200m-plus ethane pipeline, linking South Australia's Cooper Basin with ICI's ethylene plant at Botany

ICI said that negotiations over terms for the supply from the South Australian gasfields were at a critical stage and that the timing necessitated a decision this week, although an announcement might not be made immediately.



BTR spins off Dartington

Crystal gazing - Mr Eric Dancer (left), managing director of Dartington Crystal, and Mr Russ Cummins of 3i, reflect on the future of the giftware and tableware producer which has been purchased by its management from BTR in a £10m deal, writes Peter Franklin.

Under the terms of the transaction, which is backed by 3i, the venture capital group, BTR's Rockware Group received £4.71m for the sale of its 95 per cent bolding as well as repayment of

The Dartington Hall Trust, which founded the company in 1967 to create employment in north Devon, has also sold its 5 per cent holding. In addition, Dartington Crystal will receive £2m from the deal

to fund future growth plans.

Mr Cummings said that his company had led, structured and underwritten the transaction, while Bank of Scotland was pro-

viding debt and working capital.

Thos Cook expands by 25% to £31.6m

Thomas Cook, the travel and financial services group which is owned by Westdeutsche Lan-desbank, increased pre-tax profit by 25 per cent to £31.6m in 1993, writes Michael Skapin-

The increase came in spite of the continental European recession, companies cutting business travel costs, and low interest rates which depressed travellers' cheque earnings. Revenues rose 22 per cent to

Antena 3 Televisión

SYNDICTED LOAN

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£595.6m. Mr Christopher Rodrigues, chief executive, said leisure

travel proved resilient in most markets. He said holidays were "now considered an essential, not a luxury, for people thronghout the developed world". Mr Rodrigues added that

business travel, by contrast, was going through a big change as companies sought ways of reducing costs. There was evidence of

increased demand for business travel as companies come out of recession, but this, he said, remained a highly competitive market_

ADULAGINA 30 ATRIUC

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Senior Co-Manager

CECA.-ACF.

Pesetas 35,000,000,000

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Murray Johnstone launches | Compass turns to smaller companies trust

By Bethan Hutton

Murray Johnstone is seeking up to £60m with the launch of Murray Acorn, an investment trust concentrating on the smallest and of the smaller company range. · ·

The trust will invest in companies with a market capitalisation of 250m or less, and prin-cipally those of less than £30m. Up to 10 per cent of the fund may be invested in unquoted companies, mainly those in a pre-listing phase. Special situations, such as management buy-ins or refinancings, may account for up to 30 per cent. Shares will be issued at 100p

Management

GB Glass, the Doncaster-based

glass and lighting components

maker jointly owned by Osram and Thorn EMI, has been bought by its management for

£25m with backing from 3i, the

buy-out at

GB Glass

on a partly-paid basis, with 50p due when the public offer closes on June 16, and the balance due on November 30. This is to allow a more gradual investment of the fund in what can be an illiquid market. There are several smaller-

company investment trusts listed in London, but most invest in much larger companies than Murray Acorn's planned targets, often having market capitalisations of up to £300m. However, two relatively new trusts, Pilot and Eaglet, have similarly low-cap limits. Murray Acorn will be aiming mainly for capital growth rather than income, and will

31 is leading a syndicate of investors, including Prudential Venture Managers, to provide

com of equity and mezzanine

debt, Senior debt and overdraft

facilities were provided by Mid-

After an exceptional credit of

2529,655 following a loan

Exceptional lifts

CRP Leisure

land Bank.

venture capital group. 2529,655 following a loan For the 1996 year GB Glass waiver, CRP Leisure produced

returned pre-tax profits of pre-tax profits of £245,726 for 13 im on sales of £26m, more the year to October 31 from their helf of pre-tax profits of £245,726 for

than half of which were to turnover of 2644,732.

take tha Extended Hoare Govett Smaller Companies Index (excluding investment trusts) as a benchmark. · Shirescot, the Shires High-

Yielding Smaller Companies Trust, managed by Glasgow Investment Managers, is hoping to expand by up to 225m with a placing and offer for subscription of conversion shares. The shares will be issued at 100p and on conversion, which will take place by October 14 at the latest, warrants will be attached on a 1-for-5 basis. The public offer is due to open on May 16, closing on June 7. First dealings are expected on June 15. **NEWS DIGEST**

tinuing operations of £993,150.

Gartmore European

Gartmore European Invest-ment Trust raised net asset

value per share by 11 per cent to 151.4p at March 31, against

ing a deficit per share of 1.13p

(0.38p). At present, the com-

136.3p six months earlier.

net assets ahead

(losses 11.4p).

Earnings per share were 1.5p

port in Paris, although it also operates at Strasbourg and Toulon.

France.

pany estimates positive earnadjusted losses of £1.21m last time, from turnover on con-

ings for the year.

The trust reaffirmed its policy that dividends were of secondary importance to capital growth and future payments would be paid out of earnings. Last year's final was 0.9p.

New Guernsey Securities assets rise

New Guernsey Securities Trust reported net asset value per share of 123.3p at December 31, Net losses for the six months against 102 9p a year earlier. Pre-tax profits for 1993 were came to £194,000 (£77,000) giv-£28,191 (£26,197) for earnings

Low & Bonar makes

per share of 1.1p (1p). An initial final dividend of 1p is rec-

disposal in US Low & Bonar, the international

packaging and materials group, has sold Bonar Fabrics, its non-wovens business in South Carolina, to HDK Industries of Tennessee for \$2.7m (£1.84m) cash. The sale completes the

group's exit from this business sector following the closure of its Scottish plant in 1993.

INVESTING IN FRANCE



This

Management Buy-Out Led by:.. Hambro European Ventures Limited

Other Equity Providers:

S.E.I.E. M.T. Participations

James Weir Hambro European Ventures Limited 16 Place Vendome 75001 Paris Telephone: 010 331 42 69 57 17 Facsimile: 019 331 42 86 90 19

Legal advice provided by Clifford Chance, Paris



Management Buy-In Co-Led by: Hambro European Ventures Limited Other Equity Providers:

> Jean-Michel Monnet Gerard Vachet Debt provided by: Unicredit Legal advice provided by Clifford Chance, Paris

Edmund Truell Hambro European Ventures Limited 41 Tower Hill London EC3N 4HA Telephone: 071-865 1829 Facsimile: 071-702 9827

2 May 1994







Employees at Northam's Zondereinde Mine returned to work with the night shift on Sunday, 1 May 1994, thus bringing the unlawful industrial action which commenced on the night shift of 21 April 1994 to an end.

This follows exhaustive discussions between management, employee representatives and representatives from the National Union of Mineworkers and the obtaining of an interim count order. The court order declared the industrial action unlawful and interdicted the striking employees from continuing to participate in their unlawful action.

The industrial action severely impacted on production. Underground production operations ceased for eight working days and resulted in a cessation of the metallurgical operations.

Every effort is being made to resume normal operations as soon as possible. However, because of the extended absence from underground, employees will be required to undergo a natural acclimatisation programme on the job.

Johannesburg

THE BUSINESS SECTION

cans Every Tuesday & Sainthis

ASFINAG

Autobahnen- und Schnellstrassen Finanzierungs-Aktiengesellschaft

U.S. \$290,900,880

Guaranteed Floating Rate Notes due 1996

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 4th August, 1994 has been fixed at 4.2125% per annum. The interest accruing for such three month period will be U.S. \$107.65 per U.S. \$10,000 Bezzer Note, and U.S. \$10,000 Reserver.

\$10,000 Bearer Note, and U.S. \$1,076.53 per U.S. \$100,000 Bearer Note, on 4th August, 1994 against presentation of Coupon No. 7.

Union Bank of Switzerland Loudon Branch Agent Bank

29th April, 1994

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EDWICH THE

A LEADER IN SPANISH CAPITAL MARKETS



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During 1993 Ahorro Corporación Financiera, S.A., S.V.B., lead, co-lead and comanaged 19 Spanish issues, totalling more than 370 billion pesetas, in conjuntion with C.E.C.A. and its shareholders who comprise most of Spain's savings banks.



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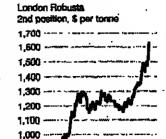
London coffee futures surge past \$1,600 mark

Coffee prices surged 5 per cent to fresh five-year highs on the London Commodity Exchange yesterday, surprising even bullish traders by the speed of the rise.

The continued tightness of physical supplies, coupled with a shortage of stocks, pushed the July second position for robusta futures to a peak of \$1,655 a tonne. A buoyant opening in New York helped London maintain most of its gains. with the July contract closing \$80 up from Friday's close at

In early afternoon trading in New York, the second position arabica contract was 3.80 cents higher at 93.65 cents a pound. Yesterday's surge through \$1,600 in Loodon came less than two weeks after the July contract broke the \$1,500 barrier and put it 37 per cent up on the year so far. The market is at its bighest level since

Growing interest in soft com-



900

May 1993

modities among investment funds looking for diversifica-tion is helping to fuel a market driven by a lack of readily available robusta from west Africa and Indonesia and falling consumer stocks, said one

"It's a little bit of everything," he said. "But even so the severity and speed of the move, particularly today, is surprising " Buying came from

and funds. "There were just no sellers around from the begin-The continued squeeze on

short positions was reflected in the nearby May contract's \$57 premium over July. But Mr Lawrence Eagles, analyst at GNI, the London brokers. pointed out that July was at a growing premium to September, "which means people think this tightness could last through till then." The fact that the world price

for robusta has now reached the level where export stocks can been released appears to be having little effect. The Association of Coffee Producing Countries is not dua to discuss the release of stocks until a meeting on May 23.

 The LCE vesterday reported a 41 per cent rise in volume in April compared with March with 333,874 contracts traded. That reflected more active physical markets and growing investment fund interest, it

MARKET REPORT

Aluminium breaks stubborn resistance

prices closed firmer at the London Metal Exchange yesterday and looked set to clock up further gains dealers said.

Aluminium finally broke through stubborn resistance just above the \$1,320 level, for three months delivery, and finisbed at the highs, with final business at \$1,328, a \$25 gain from last Friday's after hours "kerb" close.

"This is a very good close, and should bring in some further buying," one trader said. Copper lost some impetus in the afternoon, but remained underpinned by earlier speculative buying, and was content to bold just below the \$1,970 level, prior to another attempt to break overhead resistance, dealers suggested.

Other metals traded less COMMODITIES PRICES

BASE METALS

Gold Coins

Meple Leaf

£ equiv. 252-255

385.75-388.15

-0.57 47.00 47.00

supported by the overall upward trend.

LEAD advanced steadily in the afternoon, confirming a hreak above the \$470-a-tonne level for the three months posi tion, which finished at the day's high of \$474, a \$9 gain from pre-weekend levels.

ZINC matched other metals,

and was supported on dips towards \$950 a tonne. Final husiness was at \$953, up \$5. TIN prices were steadier throughout but were unable to attain a \$5.500-a-tonne upside target for three months delivery and the market eased hack from the highs

PRECIOUS METALS trading was mildly weaker after the New York markets opened quietly and below previous closing levels. There was little obvious

Precious Metals continued

reaction to the continuing vote count in South Africa, which showed the ANC, as expected,

winning a clear majority. PLATINUM saw some profittaking mid-afternoon taking it back to under \$400 a troy ounce and paring weekend

COCOA prices picked at the

London Commodity Exchange in the afternoon in response to investment fund buying in New York. Near July closed £26 firmer at £885 a tonne. One trader said the latest traders' commitments report showed investment funds still had plenty of room to get into

the market. But a volume of 5,249 lots, including 1,163 cross trades, reflected the fact that this was not a move generated in London, he added. Compiled from Reuter

GRAINS AND OIL SEEDS

■ WHEAT LCE (€ per tonne)

Copper price rise forecast

By Kenneth Gooding, Mining Correspondent

Copper is benefiting from rising European demand, analysts suggest, and prices should be sharply up in the last quarter of 1994. The market may see a supply

deficit of 225,000 tonnes this year and of 350,000 tonnes in 1995, according to Mr Fred Demler, analyst with the E.D & F. Man commodities

"This builds a case for volatile and rising prices, despite the large increase in primary output [expected] in 1995," he adds. Man in its latest metals markets review is forecasting copper prices averaging 95 cents a pound in the final quar-

bullish and says \$1 a pound is "not an unreasonble objective" while 83 cents seems to be the bottom of the trading range. Merrill says in its Weekly Futures Report that the second quarter could see some prices weakness develop but so far demand from Europe has taken some of the pressure off the inevitable slowing of US demand. Wa believe that the potential correction in copper

Merrill Lynch is even more

some are anticipating". European copper consumption rose about 4 per cent above late-1993 levels at the begining of this year, Bloomsbury Minerals Economics points out in its Copper Briefing Services. The turn-round in the automotive industries of

prices will not be as great as

tha UK, France and Spain was the most important factor. Mr Peter Hollands of BME says that the most important source of uncertainty is China. However, he guesses that light Chinese selling may occur every time the copper price

nears 90 cents and there may

be speculative buying when it

falls below 85 cents. "Two-way Chinese trade might keep the price within a fairly narrow range for some

Nevertheless, BME suggests the copper price will bottom out at 83 to 85 cents in the next few weeks, then will trend slowly upwards through October to about 90 cents and "thereafter there looks likely to be scope for rapid price increases towards \$1 a pound".

Charges reduced for Chile's Codelco three

By Jason Webb in Santlago

Santiago's Court of Appeals on Monday ordered the release from prison of three former sales executive's of Codelco, the state-owned Chilean mining group, and drastically reduced charges against them over futures trading operations that resulted in losses of US\$207m_

Mr Juan Pablo Davilla, Codelco's former chief futures operator, is now charged with causing the company losses by deception, which carries a maximum sentence of 541 days in prison. His two immediate superiors are now charged with being accomplices, for having failed to keep a check

on his activities, and face a maximum sentence of 66 days. Previous charges against all three of having defrauded the state were dropped because Codelco workers are not classified as public employees for penal purposes, although the company is 100 per cent stateowned. Those charges could

have resulted in five-year sentences, as well as hefty fines. None of the three was had to put up bail as the new charges were not considered sufficiently serious. Mr Davilla had been in custody since March 11 and the others since April 8. Codelco, which lost \$13m

after tax in 1993, compared with a \$303m profit in 1992, no longer trades futures.

Foreign miners not ready to invest in China

Progress has been made on liberalisation, but more is needed, writes Tony Walker

hen representatives of some of the world's leading mining companies gathered in Beiting earlier this year for a minerals forum there was more than usual interest in China's proposals for a new regulatory regime governing foreign

China's mining sector has lagged well hehind others, including notably oil and gas, in efforts to attract foreign involvement Foreign investment and with it new technology is now critical to China if it is to make up for lost time in exploiting its mineral deposits to support a rapidly developing

Senior executives of companies like Teck Exploration of Canada, and CRA and BHP of Australia came away encouraged by what they had heard from Chinese officials. But to the question of whether they would commit large resources to exploration in China their response was: "Not yet".

Mr Ian Gould, responsible for CRA's exploration worldwide. provided a typical industry view of China prospects at this

■ COCOA LCE (E/tonne)

stage. "China is very much one of the countries we are moni-toring carefully," he said. "But it is not quite at the point where CRA might be prepared

to come in." However, mining executives and academic experts involved in the minerals forum organised by the Pacific Economic Co-operation Council, which is sponsored by Pacific Rim countries, said China was making definite, albeit relatively slow, progress in clearing away barriers to foreign involvement.

For the first time, according to Mr Gould, Chinese officials had begun speaking publicly about a specific "contract of work" for mining ventures that would help facilitate negotiations that might otherwise become bogged down under cumbersome state mining legislation.

Among regional countries, Indonesia has used the "contract of work" approach to good effect in attracting forelgn investment. Foreign miners believe the Chinese should follow the Indonesian model Mr Fu Mingke, deputy director of the Ministry of Geology's

development bureau admitted in an address to the forum that a 1986 mining law was now "incompatible" with China's own market-oriented economy. It was also "incomparabla" with mining laws internation-

He acknowledged that the framing of a mining law would be complex and time-consuming, and therefore in the meantime China would "develop a standard investment agreement for contractl. . . as a document supplemental to the mining regulations".

Mr Allen Clark, assistant director of Resources Programmes at the East-West centre in Hawaii, said there had been a "very substantial change" in China's basic approach to opening the country to foreign miners.

The country still had some way to go, however, before it could be regarded as an appealing location. Indications that the government was planning a "resources tax" of up to 30 per cent suggested that the Chinese were not yet ready to fall

Sett. Day's Open price change High Lear Int. Vol.

89.275 -1.125 70.350 89.025 31.039 8.587 88.375 -0.825 89.175 88.025 13.542 3,449

51,050 +0,575 51,100 50,425 16,473 2,492

50,900 +0,700 50,950 50,150 5,910 1,002 48,700 +0,375 48,750 48,150 3,422 444 44,200 +0,425 44,300 43,625 2,527 276

44,400 +0,400 44,400 43,650 2,759 149 44,250 +0,300 44,350 43,690 496 51 32,005 4,448

70,675 -0,775 71,475 70,400 11,839 71,250 -0,750 72,000 70,875 7,981 71,250 -0,750 72,000 71,250 2,532

72,500 -0,700 73,200 72,400 1,024

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cants/lbs

LIVE HOGS CME (40,000lbs; cents/lbs)

49,025 +1.175 49,150 47,500

49.350 +0.750 49.500 48.050 47,475 +0,625 47,600 46,275 51,700 +0,450 52,300 51,400

50,800 +0.100 50,800

into line internationally on standard royalties of between 1 and 5 per cent.

Mining companies entering China now might be liable to an effective tax rate of 45 to 55 per cent, including taxes on profits and other levies, compared with an international average of 30 to 40 per cent.

China, according to Mr Clark, was also mistaken in its apparent strategy of offering marginal projects to foreign miners rather than "greenfield" sites. Chinese officials, fearful of criticism that they might be selling out the country's birthright, are excessively concerned about a foraign minar happening upon a high-grade and very profitable

But in the end, foreign mining experts believe, enormous ssures on the mining sector from the China's leadership to provide more of the country's base metal and other mineral requirements will inevitably force speedier liberalisation. Mr James Dorian, co-ordina-

tor of the China Energy Project at Hawaii's East-West Centre,

while China's mining industry ranked fourth in tha world in output value, it was operating well below its potential. China in fact, had a "very low" per capita production of metals and minerals.

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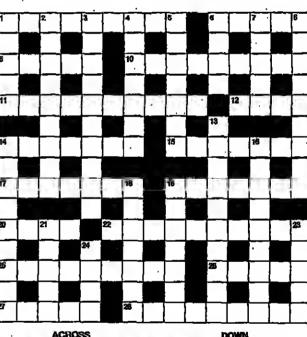
Billions of dollars were required, Mr Dorian said, to modernise the industry, which was suffering from "numerous problems", including low efficiencies in recovery, production and utilisation, outdated mining equipment and technology and severe transportation bottlenecks.

He added, however, that companies interested in business opportunities in China would need to "remain flexible and patient" in seeking to understand not only the industry, but the "often confusing bureaucratic systems.

The planned expansion and modernisation of China's mining industry will require tremendous influx of foreign technology and financing," he said. Firms that are able to estab lish a successful track record today in China may be able to reap more substantial rewards pointed out at the forum that in the long term."

CROSSWORD

No.8,444 Set by DINMUTZ



ACROSS Needed to garage a car that is guaranteed (9)
 Round, soil swelling (5)

9 Left with a £1 note, he has no 10 Five-mile course from which

peopls watched the bay? (9)
11 Manifestly, fragrant cargo
placed behind peacocks (10) 12 Thry sandbanks in river (4) 14 Boast of British and Ameri-

can glory (7) St Paul, a sort of blade? (7) 17 Overdose in hallucinatory effects of drug, but still 19 Highlight for drivers . .

booters not banned after 22 Stimulating, elite Irish coterie 25 Honey-dish broken, as in a

romp (9) 26 Principal eastern state? (5) 27 Notedly slow longboat (6) 28 Blunders and flukes (9)

Wild country to borrow, we storm (9)

3 Treatment from psychoanalyst for tar allergy? (10) Potter, perhaps, an illegal bowler (7) 5 Medical attendants caught indoors (7)

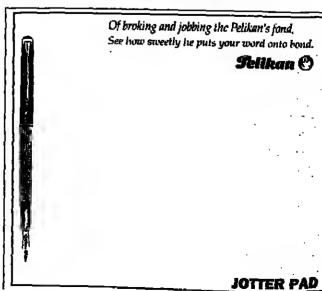
6 Call it a day and retire with plenty of money? (4) Such an edict brings a change to the United King-dom (5) Weapon of personnel support

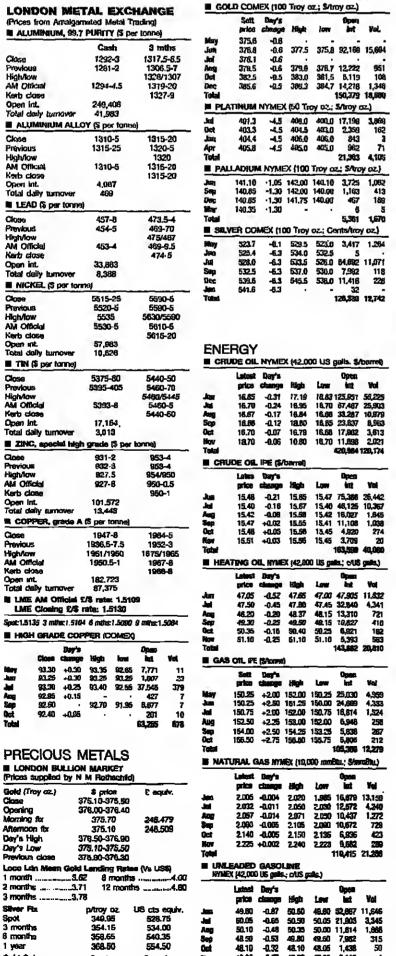
ing President Eisenhower? (9) 13 Washers many ruled out before noon (10) 16 Getting rid of Dutch, say (9) 18 in films one fires all over the place, with high frequency (7) 19 Almstrong rested, with com-panion, on one half of moon

21 Hen? Yes, if held in both

23 Fancy part of brogues solidly 24 Object of the lady's love? (4)

Solution to Saturday's prize puzzle on Saturday May 14. Solution to yesterday's prize puzzle on Monday May 16.





COM	1EX (10	U Troy	OZ.; 3/ti	10y <u>02-</u>)		= WH	EAT LC	E per	tonna)			
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376.8 378.1	-0.6 -0.6		375.8	92,169	15,694	Jun Sep	114.75 97.90	40.55 40.70	114.75 97.75	114.50 97.50	1,042 501	10
379.5	-0.6	379.8		12,222		Nov	98,86	+0.85	98.75	98.10	1,648	13
382.5	-0.5					Albert .	100.75		100.65	100,10		12
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401.3	4.5	409.0			3,869	May	330/0	-2/0	333/2	328/4	4,945	4.30
403.3	-4.5		403.0	2,359		Jed	3304	-4/6	334/4			56,81
404.4	-4.5	406.0			_3	Sept	333/2	-3/6	337/4		31,106	4,35
405.8	4.5	405.0	405.0	962 21,363		Dec	343/4	-4/5 -4/2	347/0	341/4 344/4	34,626 1,975	9,92
DUR	d Novali	cy /100	Town	Z; SATO		Mar.	341/2	-4/2	34380	2444	120	•
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41.10 40.85			140.10 140.00		1,062	E MA	ZE CBT	(5,000	bu min	cents	56lb bu	shel)
40.65			140.00		188	May	261/6	-7/4	267/6	260/6	76,886	63,23
40.35	•1.30			8	5	Jul .	264/6	-7/0	299/6		680,520	
				5,361	1,670	Sep	258/4	-8/2 -8/2	263/0 252/0		165,810	
_				enta/tro		Mar	254/2	-6/2	257/4		373,525 34,295	1,82
523.7	-6.1	529.5			1.264	May	258/6	·7/B	260/0	258/4	3,840	11
525.4 528.0	-6.3 -6.3	534.0 533.5			11,071	7atat					1.350M :	23,21
532.5	-6.3	537.0			118	BAF	ILEY LC	E (E per	tonne			
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541.6	-6.3		-	32		Sep	87.65	+0.65		-	136	
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						May	103.75	+0.50	-	-	5	
						Total					389	
GΥ							ABEAN					_
E OIL	NYME	X (42.0	00 US	galls. \$/	Derred)	May	662/6	-7/0	669/0		43,838	
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	change	fligh	Loner	int	Yol	Sep	638/4	-6/0	644/0		32,485	2,40
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6.70	-0.07	16.79		17,962	3,613				_			_
1270	-0.06	10.80	16.70	11,698	2.021	May	28.40	-0.30	28.73	28.30	6,750	2,22
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arice	change	-	Low	int	Yol	Total	24.00	70.23	2.17	EJ.70	96,832	
15.48 15.40	-0.21 -0.16	15.65 15.67		75,386 46,125	26,442 10,367		ABEAN	MEAL	CBT (1	00 tons		
5.42	-0.10	15.58		16,027	1,845	Way	187.1	-1.5	188.6	108.7	4,740	5.037
15.47	+0.02	15.55	15.41	11,108	1.038	Jal	188.4	-1.0	189.3	187.7	38,493	
15.48 15.51	+0.05	15.56 15.56	15.45 15.45	4,920 3,709	274 20	Ang	187.8	-1.1	188.7		12,431	1,39
				163,590		Sep Oct	186.6 184.8	-0.7 -0.4	187.5 185.2	186.1 184.1	7,932 5,045	460 287
VG O	EL NYME	X (42.00		da; c/US		Dec	183.6	-0.3	184.2		15,143	1,409
_	Day's			Open	<u></u> -	Total					86,572	
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D.35	-0.15	50.40	50.25	6,821	182	Apr	132.8	+1,8	133.5	132.0	488	2
1.10	-0.25		51.10	5,393	563	May Total	140.0	•	-	-	798	5
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_	(\$/torre	<u> </u>					GHT (BI					
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			150.00		4,333	Oct	1298	+13	1295	1295	271	10
0.75	+2.00	152.00	150.75	16,814	1,524	Jane Apr	1345 1383	+3 +28			144 10	
2.50		153.00		6,948	258	Telel	.,000	720	_	_	2,495	130
4.00 6.50		154.25 156.50		5,638 5,806	267 212			Prev			-,	
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AL G	AS MY	EX /10		Biu.; S/sn								
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057	-0.014	2.071	2.050	10,437	1.272)						
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34 130	Sept Dead	906 931	+29	905 931		14,062	710 467
121	Mag	953	+29	953	933	27,228	148
402	May Total	965	+26	948		10,795 184,885	50 5,249
ushel)		COA CSC	E (101	ofenes;			
4,300	May	1160	+23	1160	1134	414	177
56,810 4,356	Jul Sept	1166 1193	+23	1172 1195	1138		8,927
9,920	Duc	1230	+21	1231	1202	8,808	304
30	Mar	1264 1294	+21 +21	1259 1267	1235 1270	10,678	171
75,520	Total	1234	72.	1204	1210	82,555	
ishel)	■ COC	COA (ICC	0) (50)	?'s/tons	10)		
63,2 35 177,050	Apr 29 Daily			Prior 872.5		Prov.	day 3.47
23,620							
56,780 1,825		wetade		Nil			NA
116		PEE LCE	_	_			
323,215	May Jul	1642	+64	1719 1655	1854 1580	3,972 16,366	391 3,881
	Sep	1614	+80	1625	1564	11,477	2,734
:	Nov Jan	1601 1593	+73 +76	1614 1602	1559 1562	4,628 5,717	1,025 111
•	Mar	1581	+76	1580	1580	1,962 46,182	23
	Total N COF	FE C' (CSCE (37.500	De: 050		e) IRI
	May	93.95	+4.15	94.20	92.25	1,204	146
ushel)	Jul	94.05	+4.20	94.40	92.10	34,344	5,634
33.260	Sop Dec	94.25	+3.90	94.60 95.25	92.40	11,171	1,545 1,030
183,025	Mar	95.30	+3.85	95.60	83.90	2,424	78
6,870 2,405	May Total	95.90	+3.40	96.25	94.25	352 56,563	8,438
40.215		FEE (ICO	(US c	ents/po	rund)		
1,170 288,075	May 2			Price		Prov.	
oł	Comp. da 15 day a	verage		86.45 82.29			L03
2,220		PREMIU	M RAY				-
11,215 784	Jul	11,73	-0.15		-	2,629	<u> </u>
576 589	Qet Jon	11.64 11.82	-0.14	11.68	11.68	292	500
1,772	Total	11.00				3.158	500
						4,100	
17,441	WHI	TE SUGA		_	_		
17,441	ADD ADD	324,40	-2.60	325.00	323.50	9,991	689
5,037 15,122	Ang Oct Dec	324.40 309.00 303.70	-2.60 -2.00 -2.30	325.00 309.60 305.00	323.50 308.00 305.00	9,991 6,913 306	689 513
5,037 15,122 1,398	Ang Oct	324,40 309.00	-2.60 -2.00 -2.30 -1.80	325.00 309.60	323.50 308.00 305.00 301.00	9,991 6,913	989 513
5,037 15,122 1,398 486 267	Ang Oct Usc Mar May Ang	324,40 309.00 303.70 300.70	-2.60 -2.00 -2.30 -1.80	325.00 308.60 305.00 302.00	323.50 308.00 305.00 301.00	9,991 6,913 306 1,001 198 215	989 513 1 13 2
5,037 15,122 1,398 466	Ang Oct Usc Mar May Ang Total	324,40 309,00 303,70 300,70 307,00 304,30	-2.60 -2.00 -2.30 -1.60 -1.50 -2.00	325.00 308.60 305.00 302.00 302.50	323.50 309.00 305.00 301.00 302.50	9,991 6,913 306 1,001 198 215 18,630	989 513 1 13 2
5,037 15,122 1,398 406 267 1,409	Ang Oct Usc Mar May Ang Total	324.40 309.00 303.70 300.70 307.00 304.30 AR '11' C	-2.60 -2.00 -2.30 -1.60 -1.50 -2.00 -2.00	325.00 308.60 305.00 302.00 302.50	323.50 308.00 305.00 307.00 302.50	9,991 6,913 306 1,001 198 215 18,630	989 513 1 13 2
5,037 15,122 1,398 466 267 1,409 23,830	Aug Oct Unc Mar May Aug Total E SUG	324,40 309,00 303,70 300,70 307,00 304,30 AR '11' C	-2.60 -2.00 -2.30 -1.80 -1.50 -2.00 SCE (1	325.00 308.60 305.00 302.00 302.50 112,000 11.60 11.41	323.50 309.00 305.00 307.00 302.50 bs; csi	9,991 6,913 306 1,001 198 215 18,638 12,7639 32,043	989 513 1 13 2 1,216
5,037 15,122 1,398 466 267 1,409 23,830	Ang Oct Dec Name Many Ang Total E SUG	324.40 309.00 303.70 300.70 307.00 304.30 AR *11 * C 11.50 11.35 11.14 11.14	-2.60 -2.00 -2.30 -1.80 -1.50 -2.00 -2.00 -0.03 -0.02 -0.02	325.80 308.80 305.00 302.00 302.50 112,000	323.50 309.00 305.00 307.00 302.50 11.46 11.30 11.69	9,991 6,913 306 1,001 198 215 18,638 12,763 32,043 16,149 2,381	989 513 1 13 2 1,216
5.037 15.122 1.398 466 267 1.409 23,830	Aug Oct Use Man Many Aug Total III SUG	324.40 309.00 303.70 300.70 307.00 304.30 4AR '11' C 11.50 11.55 11.14 11.14 71,12	-2.60 -2.00 -2.30 -1.50 -1.50 -2.00 SCE (1 -0.03 -0.01 -0.02 -0.02 -0.02	325.00 308.60 305.00 302.00 302.50 112,000 11.60 11.41 11.16	323.50 309.00 305.00 307.00 307.00 302.50 bs; cs 11.46 11.30 11.09	9,991 6,913 306 1,001 196 215 18,630 12,703 50,569 32,043 16,149 2,381 1,197	\$89 513 1 13 2 1,216 7,429 2,807 539
5,037 15,122 1,398 466 267 1,409 23,830	Aug Oct Dec Mar May Aug Tetal III SUG Jul Det May Jul Det Tetal III Sug Jul Oct Tetal III Sug Tetal III Sug Jul Oct Tetal II Sug Jul Oct II Sug Jul O	324.40 309.00 303.70 300.70 307.00 304.30 AR '11' C 11.50 11.35 11.14 11.14 11.12 11.10	-2.60 -2.00 -2.30 -1.80 -1.50 -2.00 -2.00 -0.03 -0.02 -0.02 -0.02 -0.02	325.00 309.80 305.00 302.00 302.50 112,000 11.41 11.10 11.16	323.50 309.00 305.00 305.00 307.00 302.50 11.48 11.30 11.69 11.14	9,991 6,913 306 1,001 198 215 18,638 12,763 32,043 16,149 2,381 1,197 344 482,722 1	989 513 1 13 2 1,216 7,429 2,601 539 15
5,037 15,122 1,398 466 267 1,409 23,830	Aug Oct Dec	324.40 309.00 303.70 300.70 307.00 304.30 11.50 11.55 11.14 11.14 11.12 11.10	-2.60 -2.00 -2.30 -1.80 -1.50 -2.00 -2.00 -0.03 -0.02 -0.02 -0.02 -0.02	325.00 309.80 305.00 302.00 302.50 112,000 11.41 11.10 11.16	323.50 309.00 305.00 305.00 307.00 302.50 11.48 11.30 11.69 11.14	9,991 6,913 306 1,001 198 215 18,638 18,438 16,149 2,361 1,197 344 (82,722 1	989 513 1 13 2 1,216 7,429 2,601 539 15
5,037 15,122 1,398 466 267 1,409 23,830 25 - - - 52	Ang Oct Over Mars Many Ang Telal E SUG Jul Oct Mars Telal E SUG Jul Oct Telal E COT Birty	324.40 308.00 303.70 301.70 301.30 304.30 4AR *11' C 11.59 11.14 11.14 11.12 11.10 TON NYC	-2.60 -2.30 -1.80 -1.50 -2.00 -2.00 -0.03 -0.02 -0.02 -0.02 -0.02 +1.53	325.00 309.80 305.00 302.06 302.50 11.60 11.41 11.16 11.16 11.12	323.50 308.00 305.00 307.00 307.00 302.50 11.46 11.39 11.19 11.12 11.12 11.12	9,991 6,913 306 1,001 198 215 18,638 162/859 32,043 16,149 2,361 1,197 344 (82,722 1 56)	989 513 1 13 2 1,216 7,429 2,807 539 15 10
5,037 15,122 1,398 466 267 1,409 23,830	Aug Oct Mars May Aug Tetal E SUG Jul Oct Tetal E COT Etay Jul Oct Tetal E COT Etay Jul Oct Tetal E COT	324.40 309.00 303.70 307.00 304.30 4AR '11' C 11.35 11.14 11.14 11.12 11.10 TON NYC	-2.60 -2.30 -1.80 -1.50 -2.00 -2.00 -2.00 -0.02 -0.02 -0.02 -0.02 -0.02 +1.53 +0.91 +0.72	325.00 308.00 305.00 302.00 302.50 11.2,000 11.61 11.16 11.16 11.12 0006bs; 86.50 84.15 76.30	323.50 309.00 305.00 301.00 301.50 11.46 11.30 11.14- 11.12 2011.14- 84.60 84.60 83.22 75.66	9,991 6,913 306 1,001 198 215 18,638 16,149 2,381 1,197 344 (92,722 1 508) 1,897 27,031 4,676	989 513 1 13 2 1,216 7,429 2,897 539 15 10 0,884
5.037 15.122 1,298 466 267 1,409 23,839 25 - - - 52 21 85 10	Aug Oct Mars May Aug Tetal Barry May Jul Oct Mars May Jul Oct Mars May Jul Oct May Aug Tetal Barry Jul Aug COT Tetal Barry Jul Aug COT May Aug COT May Aug COT May Aug COT May May Aug COT May May Aug COT May	324.40 309.00 303.70 300.70 307.00 304.30 11.59 11.25 11.14 11.12 11.10 TON NYC	-2.60 -2.30 -1.80 -1.50 -2.00 -2.03 -0.02 -0.02 -0.02 -0.02 +1.53 +0.91	325.00 305.00 305.00 302.06 302.50 112,000 11.41 11.10 11.16 11.12 0000bs; 86.50 84.15 76.30	323.50 308.00 305.00 301.00 302.50 11.48 11.30 11.69 11.14 11.12 11.12 11.12 11.12 11.12 75.60 73.05	9,991 6,913 306 1,001 196 215 18,638 18,638 12,749 2,381 1,197 344 (82,722 1 56) 1,897 27,031 4,678 4,678 4,749	989 513 1 1 3 2 1,216 7,429 2,801 539 15 10 6,254 293 6,225 237 2,306
5.037 15.122 1,398 466 23,839 25 	Aug Oct Dec Mars Hay Aug Tetal E SUG Jul Oct Tetal E COT May Jul Oct Tetal E COT May Jul Oct Dec Ray May	324.40 309.00 303.70 307.00 304.30 4AR '11' C 11.35 11.14 11.14 11.12 11.10 TON NYC	-2.60 -2.30 -1.80 -1.50 -2.00 -2.00 -0.03 -0.02 -0.02 -0.02 -0.02 +1.53 +0.91	325.00 308.00 305.00 302.00 302.50 11.2,000 11.61 11.16 11.16 11.12 0006bs; 86.50 84.15 76.30	323.50 309.00 305.00 301.00 301.50 11.46 11.30 11.14- 11.12 2011.14- 84.60 84.60 83.22 75.66	9,991 6,913 306 1,001 198 215 18,630 123/853 32,043 16,149 2,361 1,197 344 (82,722 1 56) 1,697 27,031 4,676 17,348 4,676 17,348 526	989 513 1 13 2 1,216 7,429 2,507 539 15 10 6,225 6,225 159 59
5.037 15.122 1,398 466 23,839 25 - - - - 52 27 88 10 10	Aug Oct Dec	224.40 309.00 303.70 300.70 307.00 304.30 11.55 11.25 11.14 11.12 11.10 TON NYC 86.38 84.03 74.95 75.05	-2.60 -2.30 -1.80 -2.00	335,00 308,80 305,00 302,06 302,06 302,50 11,40 11,40 11,16 11,16 11,16 11,12 0004bs; 86,10 74,75 75,19	323.50 309.00 305.00 307.00 302.50 11.48 11.89 11.14- 11.12 2 201.05 84.62 84.62 75.66 74.00 74.26	9,991 6,913 306 1,001 198 215 115 215 10,569 32,043 16,149 2,361 1,197 344 4,672 17,348 1,947 1,947 1,947 1,947 1,947 1,948 1,	9899 513 1 13 2 1,216 7,429 2,809 15 10 6,284 293 6,225 397 2,306 159 9,441
5.037 15.122 1,398 466 23,839 25 	Aug Oct Mary Notes Mary Total E SUG Mary Jul Oct Total E COTT Mary Jul Oct Mary Total E COTT Mary Jul Oct Mary Total E COTA	224.40 309.00 303.70 300.70 307.00 304.30 11.50 11.35 11.14 11.12 11.10 TON NYC 86.38 84.08 76.07 74.95 74.95	2.60 -2.30 -2.30 -1.50 -1.50 -2.00 -1.50 -0.02 -0.03 -0	325,80 308,90 305,00 305,00 302,50 11,20 11,20 11,10 11,10 11,10 11,12 11,12 86,50 73,80 86,50 73,80 73,80 73,80 73,80 73,80 73,80	323.50 306.00 305.00 307.00 307.00 307.50 11.49 11.12 11.12 11.12 75.60 73.05 74.00 74.25	9,991 9,913 306 1,001 196 196 32,043 32,043 32,043 34,46 482,722 11,997 77,031 1,997 77,031 1,997 77,031 1,897 17,348 1,	589 513 1 1,216 7,429 15,260 15,260 10 6,225 159 159 9,441 04)
5.037 15.122 1,398 466 23,839 25 - - - - 52 27 88 10 10	Aug Oct Dec Mars May Aug Tetal SUG International May Jul Oct Tetal COT Intry Log Cot May Total International May Total International International International International International International International Int	224.40 309.00 303.70 300.70 307.00 304.30 11.50 11.35 11.14 11.12 11.10 TON NYC 86.38 84.08 76.17 73.85 76.17 73.95 74.95 75.05	-2.60 -2.30 -2.30 -1.50 -1.50 -2.00 -1.50 -2.00 -2.00 -0.02 -0.02 -0.02 -0.02 -0.02 -0.02 -0.02 -0.02 -0.02 -0.02 -0.02 -0.02 -0.03	325,80 308,90 303,00 303,00 302,00 11,90 11,90 11,11 11,10 11,16 11,12 2000bs; 84,15 76,39 74,75 75,19 CE (18,00 108,00 108,00	323.50 309.00 305.00 305.00 302.50 11.46 11.30 11.19 11.12 11.12 11.12 11.12 75.60 84.60 84.60 74.25 74.00 74.25	9,991 9,993 306 1,001 198 215 18,688 22,043 1,197 344 4,576 12,281 1,997 17,248 62,722 17,248 62,722 17,348 1,367 17,348 17,488 1	989 513 1 13 2 1,216 7,429 539 15 10 0,884 283 6,225 2,907 2,908 4,907 2,908 159 159 159 159 159 159 159 159 159 159
5.037 15.122 1,398 466 23,839 25 - - - - 52 27 88 10 10	Aug Oct Dec Mars May Aug Tetal E SUG Mary Jul Oct Tetal E COT May Tetal E COT May Jul Oct Dec May Jul Sep Tetal E COT May Teta	224.40 309.00 303.70 300.70 307.00 304.30 11.50 11.35 11.14 11.12 11.10 TON NYC 86.38 84.08 84.08 74.95 NGE JUR 104.90 106.25 106.50	2.60 -2.00 -1.50 -1.50 -2.00 SCE (**1.50 -0.02 -0.02 -0.02 +1.53 +0.72 +0.95 +0.95 +0.95 +0.95 -1.50 -1.50 -1.50	325,00 308,80 305,00 305,00 302,00 302,50 11,60 11,60 11,11 11,16 11,12 11,12 11,12 11,12 11,12 11,12 11,13 11,14 11,16 11,16 11,17 76,30 74,75 75,19 76,50	323.50 309.00 305.00 305.00 307.00 302.50 11.49 11.39 11.14 11.12 11.12 11.12 11.14 11.14 11.19 11.14 11.19 11.14 11.19 11.14 11.19 11.14 11.19 11.14 11.19 11.14 11.19 11.14 11.19	9,991 9,913 306 1,001 198 215 50,563 16,149 2,361 16,149 1,927 344 4,576 1,367 1,348 4,576 1,348 1,448	589 513 1 1,216 7,429 539 15 10 6,284 203 203 203 203 203 203 203 203 203 203
5.037 15.122 1,398 466 23,839 25 - - - - 52 27 88 10 10	Aug Oct Dec Mars May Aug Tetal SUG Jai COT May Jai Oct May Total B COT Tetal COT Tetal COT Dec Bar May Jai Sep Hev Jac	224.40 309.00 303.70 309.70 377.90 304.30 11.50 11.35 11.14 11.12 11.10 11.12 11.10 11.12 11.10 86.38 84.08 76.17 73.85 76.17 73.85 76.17 73.85 74.95 75.05	2.60 -2.30 -1.50 -1.50 -2.00 -1.50 -2.00 -2.00 -2.00 -0.02 -0.03 -	325,00 308,80 302,80 302,00 302,50 11,40 11,10 11,16 11,12 2000lbs; 76,30 73,80 108,00 108,85 110,90 1111,20 1111,20 108,85 110,90 1111,20 111	322.50 309.00 305.00 305.00 307.00 307.50 11.40 11.30 11.14 11.12 11.12 75.60 73.05 74.26 0008bs:	9,991 9,993 306 1,001 198 205 12,530 1,197 344 4,576 1,997 17,248 4,576 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 526 627 627 627 627 627 627 627 6	989 513 1 13 2 1,216 1,216 1,216 15 10 10 10 15 19 15 19 15 19 19 19 19 19 19 19 19 19 19 19 19 19
5.037 15.122 1,398 466 23,839 25 - - - - 52 27 88 10 10	Aug Oct Dec Mars Hay Aug Tetal SUG Hay Jul Oct Tetal CCT Hay Total E CCT Hay Total Hay Jag Hay Jag Hay Jag Hay Jag Hay Jag	224.40 309.00 303.70 300.70 371.00 304.30 311.50 11.34 11.14 11.14 11.12 11.10 TON NYC 86.38 84.08 76.17 73.05 NGE JUN 104.00 106.25 108.25 108.25	2.60 -2.30 -1.50 -1.50 -2.00 -1.50 -2.00 -2.00 -2.00 -0.02 -0.03 -	325,00 308,80 302,00 302,00 302,50 11,40 11,10 11,16 11,16 86,50 86,50 84,15 76,30 74,75 75,10 108,00 108,85 111,00	322.50 309.00 305.00 305.00 307.00 302.50 11.40 11.30 11.14 - 11.12 84.60 84.60 87.30 77.42 94.60 77.42 106.75 106	9,991 6,913 306 1,001 1988 215 215 18,638 16,149 2,361 16,149 2,361 16,149 2,361 1,197 344 4,576 2,825 26,641 1,196 22,825 26,641 1,196 22,825 26,641 1,196 64 2,825 26,82	989 513 1 13 2 . 1,216 7,429 539 15 10 - 293 559 15 59 9,441 569 151 151 62 96 31
5.037 15.122 1,398 466 23,839 25 - - - - 52 27 88 10 10	Aug Oct Dec Mars May Aug Tetal SUG Jai COT May Jai Oct May Total B COT Tetal COT Tetal COT Dec Bar May Jai Sep Hev Jac	224.40 309.00 303.70 309.70 377.90 304.30 11.50 11.35 11.14 11.12 11.10 11.12 11.10 11.12 11.10 86.38 84.08 76.17 73.85 76.17 73.85 76.17 73.85 74.95 75.05	2.60 -2.30 -1.50 -1.50 -2.00 -1.50 -2.00 -2.00 -2.00 -0.02 -0.03 -	325,00 308,80 302,80 302,00 302,50 11,40 11,10 11,16 11,12 2000lbs; 76,30 73,80 108,00 108,85 110,90 1111,20 1111,20 108,85 110,90 1111,20 111	322.50 309.00 305.00 305.00 307.00 302.50 11.40 11.30 11.14 - 11.12 84.60 84.60 87.30 77.42 94.60 77.42 106.75 106	9,991 9,993 306 1,001 198 205 12,530 1,197 344 4,576 1,997 17,248 4,576 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 52,641 1,348 625 526 627 627 627 627 627 627 627 6	989 513 1 13 2 . 1,216 7,429 539 15 10 - 293 559 15 59 9,441 569 151 151 62 96 31
5.037 15.122 1,398 466 23,839 25 - - - - 52 27 88 10 10	Aug Oct Dec Mars Hay Aug Tetal SUG Hay Jul Oct Tetal CCT Hay Total E CCT Hay Total Hay Jag Hay Jag Hay Jag Hay Jag Hay Jag	224.40 309.00 303.70 309.70 377.90 304.30 11.50 11.35 11.14 11.12 11.10 11.12 11.10 11.12 11.10 86.38 84.08 76.17 73.85 76.17 73.85 76.17 73.85 74.95 75.05	2.60 -2.30 -1.50 -1.50 -2.00 -1.50 -2.00 -2.00 -2.00 -0.02 -0.03 -	325,00 308,80 302,80 302,00 302,50 11,40 11,10 11,16 11,12 2000lbs; 76,30 73,80 108,00 108,85 110,90 1111,20 1111,20 108,85 110,90 1111,20 111	322.50 309.00 305.00 305.00 307.00 302.50 11.40 11.30 11.14 - 11.12 84.60 84.60 87.30 77.42 94.60 77.42 106.75 106	9,991 6,913 306 1,001 1988 215 215 18,638 16,149 2,361 16,149 2,361 16,149 2,361 1,197 344 4,576 2,825 26,641 1,196 22,825 26,641 1,196 22,825 26,641 1,196 64 2,825 26,82	989 513 1 13 2 . 1,216 7,429 539 15 10 - 293 559 15 59 9,441 569 151 151 62 96 31
5,037 15,122 1,398 486 23,830 23,830 25 27 52 21 86 10 10 10	Aug Oct Mary Notal E SUG May Jul Oct May J	224.40 309.00 303.70 300.70 371.00 304.30 304.30 311.55 11.14 11.14 11.14 11.10 TON NYC 86.36 84.08 76.17 73.05 NGE JUR 104.00 106.25 108.25 108.50 112.00	-2.60 (-2.00 -1.50	325,00 308,80 302,80 302,00 302,50 11,40 11,10 11,16 11,12 2000lbs; 76,30 73,80 108,00 108,85 110,90 1111,20 1111,20 108,85 110,90 1111,20 111	322.50 309.00 305.00 305.00 307.00 302.50 11.40 11.30 11.14 - 11.12 84.60 84.60 87.30 77.42 94.60 77.42 106.75 106	9,991 6,913 306 1,001 1988 215 215 18,638 16,149 2,361 16,149 2,361 16,149 2,361 1,197 344 4,576 2,825 26,641 1,196 22,825 26,641 1,196 22,825 26,641 1,196 64 2,825 26,82	989 513 1 13 2 . 1,216 7,429 539 15 10 - 293 559 15 59 9,441 569 151 151 62 96 31
5.037 5.037 15.122 1.398 466 23,839 25 27 27 28 88 10 10 1.35	Aug Oct Dec Name Name Name Name Name Name Name Name	224.40 309.00 303.70 300.70 371.00 304.30 11.50 11.50 11.14 11.14 11.14 11.10 TON NYC 86.38 84.08 84.08 76.17 73.80 74.95 75.05 NGE JUR 104.90 108.28 108.50 112.00	2.60 -2.30 -1.50 -1.50 -2.00 -1.50 -2.00 -2.00 -0.02 -0.03 -	325,00 308,80 302,00 302,00 302,50 11,40 11,10 11,16 11,16 11,16 86,50 86,50 86,50 74,75 75,10 CE (16,86 110,90 111,20 11	323.50 308.00 305.00 305.00 307.00 307.50 11.46 11.39 11.14 11.12 11.22 75.69 74.00 74.25 100.05.75 100.05 100.50 100.50 100.50 100.50 111.00	9,991 9,913 1,001 198 20,51 18,530 10,149 2,361 1,197 344 4,576 1,197 344 4,576 1,348 52,55 1,197 344 1,197 344 1,197 344 1,197 344 1,197 344 1,197 344 1,197 1,198 1,197 1,198 1,199 1,19	989 513 1 13 2 1,216 7,429 2,567 15 10 (0,884 293 397 159 293 1,289 159 1,289 151 1,289 151 1,289 151 2,541 1,289 151 2,541 1,289 1,
5.037 15.122 1.398 486 23,830 25 27 52 27 52 21 88 80 10 10 10	Aug Oct Doc Name of Na	224.40 309.00 303.70 300.70 371.00 304.30 11.50 11.50 11.14 11.14 11.12 11.10 TON NYC 86.36 84.08 76.17 73.80 74.95 73.05 NGE JUR 104.00 106.25 108.50 112.00	-2.60 -2.00 -1.50 -1.50 -2.00 -2.00 -2.00 -0.02 -0.03	325,00 309,80 302,00 302,00 302,50 11,40 11,41 11,16 11,16 11,16 11,17 11,10 11,16 84,15 76,30 74,75 75,10 108,00 108,00 111,00	323.50 309.00 305.00 305.00 305.50 11.46 11.39 11.14- 11.12 11.12 12.64 11.14- 11.12 10.64 11.09 11.14- 11.12 10.64 10.6	9,991 6,913 306 6,913 306 1,001 198 21,001 198 22,041 16,149 2,381 16,149 2,381 16,149 2,381 16,149 27,131 4,576 13,102 27,131 1,348 62,72 1,128 22,224 22,131 1,128 542 29,594 shown	989 513 1 13 2 1,216 7,429 539 15 19 6,225 2,396 41 1,269 9 1,
5.037 15.122 1.398 486 23,830 23,830 25 27 52 21 88 10 10 10 10 13 135	William William Aug Got Marry Aug Tetal Bary Jul Got Tetal Got Tetal Got Marry Total Got Marry Mar	224.40 309.00 303.70 300.70 371.00 304.30 11.50 11.50 11.14 11.14 11.14 11.10 TON NYC 86.38 84.08 84.08 76.17 73.80 74.95 75.05 NGE JUR 104.90 108.28 108.50 112.00	-2.60 -2.00 -1.50 -1.50 -2.00 -2.00 -2.00 -0.02 -0.03	325,00 309,80 302,00 302,00 302,50 11,40 11,41 11,16 11,16 11,16 11,17 11,10 11,16 84,15 76,30 74,75 75,10 108,00 108,00 111,00	323.50 309.00 305.00 305.00 305.50 11.46 11.39 11.14- 11.12 11.12 12.64 11.14- 11.12 10.64 11.09 11.14- 11.12 10.64 10.6	9,991 6,913 306 6,913 306 1,001 198 21,001 198 22,041 16,149 2,381 16,149 2,381 16,149 2,381 16,149 27,131 4,576 13,102 27,131 1,348 62,72 1,128 22,224 22,131 1,128 542 29,594 shown	989 513 1 13 2 1,216 7,429 539 15 19 6,225 2,396 41 1,269 9 1,
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LONDON TRADED OPTIONS COPPER 86 63 ■ COFFEE LCE E COCOA LCE 1400 LONDON SPOT MARKETS ■ CRUDE OIL FOB (per barrel/Jun) \$14.16-4.29y \$15.84-5.88 Brent Bland (deled Brent Bland (Jun) W.T.J. (1pm est) +0.275 ompt delivery CIF (tonne) ■ Of PRODUCTS NWE \$175-177 +2.0 +2.0 Ges Of Heavy Fuel OR Naphtha \$149-151 +2.5 +2.0 Jet Fuel ■ OTHER Gold (per troy oz) \$
Silver (per troy oz) \$
Platinum (per troy oz.)
Paliadium (per troy oz.) +1.00 Copper (US prod.) Lead (US prod.) Tin (Rusia Lumpur) Tin (New York) Zinc (US Prime W.) 14.36r 250.50c Unq. -0.17 Cettle (tive weight)† Sheep (live weight)† Pigs (tivo weight) 125,480 148,230 +0.34° +6.67° 74.830 -2.63* Lon. day sugar (raw Lon. day sugar (wis Tata & Lyle export \$274.80 -7.70 Barley (Eng. feed) Maize (US No3 Yellov Unq \$138.5 £180.0x -2.00 Cocorut Oil (Phil)5 Palm OF (Malay.)5 \$475.0v Copra (Phil)§ Soyabeans (US) Cotton Outlook / -1.0 +0,40

(20.30-20.00). Melyhdenyum: drummed molyhdic oxide, 3.15-3.25 (3.10-3.20. Selenium: min 98.5%, 3.00-4.55. Tunggeten arestandard min, 65%, 9 per tonne unit (10kg) WO_b, cif. 33-45. Venadium: min. 98%, cif. CRB Futures (Base: 4/9/58=100)

LONDON STOCK EXCHANGE

MARKET REPORT

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Bonds weakness drives Footsie down to 3,100

By Terry Byland, UK Stock Market Editor

Weakness in sterling and in UK government bonds left the FT-SE 100 Index down 25 points yesterday. and struggling to hold on to the 3,100 support level. Trading volume was not heavy but the announcement that Britain's MO money supply jumped by an annualised 6.2 per cent in April emphasised the market's growing fear that the next move in domestic interest rates could be up, rather than down. Losses in long-dated gilts were extended to nearly two points in late trading, and the investment mood turned significantly bearish.

The bears justified yesterday'e downturn by pointing to the UK local elections to be held tomorrow. at which Mr John Major's govern-

ment is widely expected to suffer a setback. As always, political nervousness was more marked in the foreign exchange markets than in domestic equities.

These factors combined to set an unhappy background to this morning's routine meeting between the chancellor of the exchequer and the Governor of the Bank of England. The surge in money supply is likely to increase the Bank's caution towards any suggestion of cutting UK interest rates at present.

Early deals brought a rash of gains in share prices as London hoped that the closure of Japanese markets for the Golden Week might lift the pressure from the US dollar. But initial firmness in stock index futures quickly disappeared when the money acpply figures were announced, and from then on, the

- Accou	nt Dealing	Dates
"First Dealings Apr 25	May 16	Jun 6
Option Declaration May 12	E Jun 2	Jun 15
Last Dealogs: May 13	Jun 3	Jun 17
Account Days May 23	Jan 13	Jan 27

equity market unravelled steadily. with the stock index futures at a discount for much of the session. London tried to rally when Wall Street opened but, with the Dow Industrial Average uncertain and down 2.37 in UK hours, there was little to help the Footsie resist renewed losses in gilts.

The FT-SE Index was 25.3 down at 3,100 exactly, baving rallied from 3.095.8 at the day's low. The Footsie has been jousting with the 3,100 support level since the middle of March and traders sounded unconvinced last night that this important benchmark level would be held if bond markets continued to slip.

The wider market, less closely linked to the futures contract, performed somewhat better than the blue chip sectors and the FT-SE Mid 250 Index fell only 5.8 to 3,775.3. The market setback was all the

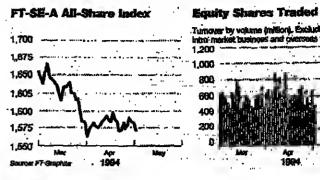
greater in that the pharmaceutical shares, which are heavily weighted in index terms, were in good form following news of nearly \$8bn in acquisition deals in the US by leading multinational companies. SmithKline Beechem jumped sharply after paying \$2.3bn for Diversified Pharmaceutical Services of the US, hard on the heels of the

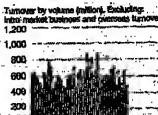
25.3bn purchase of Syntex hy

The renewed focus on company takeovers kept the spotlight on Lasmo, although the shares continued to weaken behind its predator, Enterprise Oil, which is bidding in paper;there was little immediate reaction to a formal offer document from Enterprise.

Trading volume increased as share prices gave ground, but the final total of 559.4m shares traded through the Seaq network was still below Friday's figure. Several trading programmes were identified. Traders drew little comfort from

the moderate turnover, however, and the market closed on a distinctly unhappy note, with the domestic scene clouded over by prospects for sterling and the international scene by those for the US dollar/yen rate.





Key Indicator	\$				
ces and ratios					
E 100	3100.0	-25.3	FT Ordinary Index	2494.1	-11.
E Mid 250	3775.3	-5.8	FT-SE-A Non Fins p/e	20.49	(20.5
E-A 350	1577.9	-10.4	FT-SE100 Fut Jun	9091.0	-48.
E-A All-Share	1570.95	-9.49	10 yr Gilt vield	8.15	(7.94
E-A All-Share yield		(3.67)	Long gilt/equity yld ratio:	2.25	(2.2

Best performing sectors +1.2 Other Services & Bans 2 Banks Health Care ... +0.5 3 Life Assurance

transstlantic investors locked

in profits ahead of first quarter

results from both BP and Shell.

Shell, now the UK'e biggest

company measured by market

capitalisation, slid 10 to 713p

after turnover of 4.7m shares.

BP, scheduled to announce

results tomorrow, and whose

shares hit an all-time closing

high of 399p last week, fell 4 to

The Lasmo takeover saga

rumbled on with oil sector spe-

cialists noting the market's

continuing dissatisfaction with

Enterprise's all-paper bid and

with Enterprise's strategy.

"Although it's early days in

the bid timetable, there is defi-

nitely a feeling that Enterprise

may already have blown its

chances," said one analyst. A

counter offer is still expected

by many oil sector observers.

Lasmo slipped 11/2 to 148p on

turnover of 7.2m shares and

the nil-paids 1/2 to 44p on 4.6m

traded. Enterprise fell 6 to

410p. Credit Lyonnais Laing was

said to have been the driving force behind the weakness in

Abbey National, which fell 9 to

Hong Kong-sensitive banks

received a rough ride following

a steep overnight fall in Hong

Kong stocks. HSBC plunged 27

382p on turnover of 7.4m.

Gas up on broker meetings

A ceries of broker-hosted meetings between Ms Clare Spottiswood, director-general of Ofgas, the gas industry regulator, and many of the Scottish institutions saw British Gas shares the most heavily traded of the FT-SE 100 constituents. Gas shares, one of the FT-SE

week after the group issued a

profits warning at its annual

Weakness in sterling and gilts,

higher than anticipated money

combined to cast a shadow ...

supply figures together with

EQUITY FUTURES AND OPTIONS TRADING

political uncertainty in the UK attributed the poor opening

Open Sett price Change High Low

Jun 3750.0 3760.0 30,0 3765.0 3750.0 101 3575

EURO STYLE FT-SE MID 250 MIDEX OPTION (CMIX) 210 per ful index point

FT-SE 100 INDEX FUTURES (LIFFE) E25 per full kinker point

3129.0 3091.0 48.0 \$140.0 3080.0 3123.0 3169.0 48.6 3123.0 3109.0 3120.5 48.0

III FT-SE MID 250 MIDEX FUTURES (LIFFE) £10 per full index point

MFT-RE MID 250 INDEX PUTUTES (OMEX) \$10 per full lodes point

■ FT-SE 100 INDEX OPTION (LIFTE) (*3100) 210 per full index point

en intensit Sigures are for previous day, 1 Basis volume shown,

meeting, fell 4%, or 1.5 per cent, to 2811/2 yesterday compared with a 0.8 per cent decline in the Footsie. Turnover in Gae reached 13m

Dealers said the stock had attracted hefty selling by US institutions late last week but that much of that had been countered by keen support from UK-based income funds.

There was also increasing nervousness among dealers ahead of the politically sensitive joint Department of Industry/Ofgas report on the structure of Gas, expected next 100's worst performers last Monday. A second report, prepared by Ofgas, dealing specifi-cally with stock market sensi-

over the derivatives sector,

in the June contract on the

Est. vol Open int.

In futures, traders initially

writes Joel Kibazo.

tive areas such as rate of a seller for 2.3m shares and return and pricing formulae, is expected at the end of this

Reuters active

FT-SE at 3,129 to a

"correction" after Friday's strong finish. Light buying in

touch 3,140 but this faded

higher than anticipated,

increasing doubts about a

the first hour saw the contract

after the release of the money

supply data. The figures were

further reduction in UK interest

The decline of sterling and

the retreat in bonds increased

outcome of tomorrow's local

the seiling pressure, as did

nervousness about the

to trade at a substantial

the day's main sellers.

43 on its previous close. mid 250 contract finished at

3,760 after trade of 101 lots.

Volume in the FT-SE 100 option was 6,818 contracts

and 1,547 in the Euro FT-SE 100 option. HSBC was the

discount to cash for a large

Securities and Goldman Sachs

June closed at 3,091, down

News and financial information group Renters Holdings was the most significant casualty in the basket of leading UK stocks as a large trade added to pressure on the shares following weekend

press comment Dealers said the shares were restrained in early dealing in reaction to negative comment in the Sunday press. Then, in mid morning, securities house James Capel found a buyer and crossed the block at 513p. Also, the SEAQ trading screen showed a block of 4m shares traded at 515p on the official

News that Liffe and the DTB. the UK and German futures exchanges were in final negotiations over Globex. Reuters derivatives product, came too late to prevent the shares falling 241/4 to 507p on exceptionally heavy turnover of 13m.

SmithKline deal

Pharmaceuticals group SmithKline Beecham jumped 6.5 per cent in a falling market as early US support was fuelled

TRADING VOLUME



making a \$2.3m (£1.57m) acquisition in the US. The shares were easily the best performers in the FT-SE 100 and led the pharmaceutical sector higher. The 'A's gained 25% to 415p on turnover of 7m and the Units, which tend to reflect US interest, leapt 28 to 384p with 10m traded. The purchase of Diversified

by news that the company was

Pharmaceutical Services (DPS) is expected to enable the company to compete more effectively with Merck of the US. which has recently bought MedCo.

SmithKline said the scquisition would result in earnings dilution of around 3 per cent this year and be earnings enhancing after that. It is funding the purchase by the issue of commercial paper and existing cash reserves and analysts were enthusiastic. Mr Paul Krikler of Goldman Sachs, the US house which is advising DPS's former owner said it rep resented "nothing less than a breathtaking example of a hold and creative management" and Mr Paul Woodhouse at Smith New Court "It is a good move. DPS is the pick of the bunch."

The move enlivened a sector desperately in need of some focus after months of depressing news. And it followed a slight shift of focus on Friday and a \$5.3bn agreed bid on Monday. The bid by Roche of Switzerland for Syntex of the US was considered expensive but whetted the market's appetite for further moves. Perennial speculative targets Fisons and London International

NEW HIGHS AND LOWS FOR 1994

HEW HEGHS BYL MEW HERITS (#1).
BLDG MATLE & MICHT'S (S), Johnston, Kingspan, St. Cobain, CHEMECALS (S) Area, Albed Collotis, Courtsuids, DISTRIBUTORS (S) Adem & Hervey, Stammer, BLECTRING & BLECT EDUP (p) Recollectricks (s) Asia, Chemberin & Hill, Connolet Humer, SKY, Widers, EMG, WENCHES (S) Denth-Penc, Volto B, EXTRACTIVE INDS (S) Areto Amer. Cost, Stiffonsin, Beylestrugent TRUSTS (S), EMSURE & HOTTELS (S) Connolet, Polices, MEDIA (S)

SHORMER, INVESTURENT TRUSTS (I) LEGGIRE
A HOTELS DE CHYPINE, POISSE, MEDIA DE
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FINANCIAL (I) PRETIDA, OTHER SERVS &
BUSINE (I) Card To Pri. 2000, PRITING, PAPER
& PACKE (I) Low & Boner, RETMALENS,
GENERAL (II) Aussin Fred, Lebriy, Do NAV,
More Bros., Signal, SUPPORT SERVIS (I) Sorra,
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BOLITH AFRICANS (I)
REW LOSIS (1446).

MENI LOWIS (148), DATE (28) OTHER FORD INTEREST (5) BANKS (6) SEEDING & CHSTFIN (6) AMED SUP PT. BATCOT, BOTHER, BLDG MATLS & MONTE (6) CHEMICALS (7) WHITE STORY. ACHTS (B) CHEMPCALS (T) Wards Stonys, DESTYREATTORS (T) Diploms, DEVERSERED BIDLS (S) Haich, Witting, Pacific Dunlon, Wittings applying ECT (T) Diploms, DEVERSERED BIDLS (S) Haich, Witting, Pacific Dunlon, Wittings applying, ECTTRICTY (B) Bastom, London, National Power, Northeam, ECTTRICTY (B) Books, Control (B) POOD MANUE (S) Carnelles Pizza, Stims, RESURANCE (T) HCG Lloyds, UPPERTMENT TRUSTS (S) REVESTMENT COMPARISES (B) LIBERTINE & HOTELS (T) Manual Control, LIPER ASSURPANCE (B) Legis & Goneral, Production, OE, ESTILORATION & PROD (B) Energy Equity, Pan Pacific, OR, MTSERRATED (T) Boom, OTHER FINANCIAL, D) Henderson Adems, M. & G., Naturay Amen (Myrds, OTHER SETTES & BUSSNE (T) Cape Rungs, PHARMACEUTICALS (B) Generales, PRODIC (B) Basine Boos, Kark Sans, Tosco Cap. Spc CN, 2005, RETAILERS, GENERAL (T) Color Myrds, SUPPORTY SETTEM ERRS, ERRENAL (T) Color Myrds, SUPPORTY SETTEM ERRS, GENERAL, (T) Color Myrds, SUPPORTY SETTEM ERRS, GENERAL, (T) Color Myrds, SUPPORTY SETTEM ERRS, GENERAL, (T) Color Myrds, SUPPORTY SETTEM ERRS, (E) Conditions.

VINSEN, TELECORRED TOBACCO (1) WATER (10) AMERICANS (1) group rose a penny to 155p and 8 to 112p respectively. Heavily sold Wellcome bounced 23 to 547p and hard hit Glaxo recovered 1114 to 588p.

to 679p. Standard Chartered settled 36 off at 959p. Water and electricity sectors

came under renewed fire as dealers took fright at the latest big slide in gilts and on the prospects of a local election hammering for the Tories in The oil majors were hit by a tomorrow's elections. flurry of US selling as many

A series of presentations in

the City were said to have lifted Upton and Southern, the ambitious regional retailer, 2

to 32p. Stores analysts were speculating over the scale of write-offs set to be announced by WH Smith and Boots for their Do It All home improvement subsidiary, expected shortly. The interest was sparked by weekend press comment, but reports in some newspapers of an £80m provision found bttle support. The consensus is that the two groups will make provisions of nearer £55m and announce the closure of around 50 of the 220 Do It All

Around half those earmarked for closure are thought to have been sold to other retail groups, including Asda, Dixons for its PC World stores, and furniture and bedding company Staples. Boots shares advanced on the back of the day's pharmaceutical activity, the shares closing 5% forward at 553p. Smith slipped 2 to

496o. Dixons slid 7 to 200p following the company's decision to treat its interest in Fretter of the US as a fixed asset investment. There were also said to be negative comments from Hoare Govett and Morgan Stanley. Asda shares were steady at 55%p.

MARKET REPORTERS: Steve Thompson, Chris Price, Peter John.

M Other statistics, Page 24

LONDON EQUITIES

			Put							
ion.		Oct Jan			Options	_		Nov JA	_	_
ied-Lyans 580)	540 48 589 17½	时H -	14 20 H		(*268)	260	10 17%		% 9% 3 21	14
96	283 17%	22% 25	13% 15%	22	(AMENO	184 16	112 24	261/2	2 7	10
226)		13h 17h			(7148)	154	4 12			16%
SUA	50 6½ 80 3	10 11 5 81/2			("205)	200 1	# 19 14 5%		10% 18 22	28%
55)	90 3	3 4n	. 10.		P & 0	100	156 44		% 32%	-
E AFWRYS		3414 4014			(703)		% 22		W 63	
425) 42 Bis A	450 8 390 36	18 25 48 52%		59	Palanghan	200	B 17%	25	3 71%	18
(14)	420 20%				(205)	220			7 22%	
DOES .	550 2ZX	35 44	26 1	39%	Productial (*290)	290 300	21 30 5 17%	36	8 14%	
552)	600 \$	16% 24%	92 BEY	4 71 M	RIZ		44 71 K		2 221	
•	380 34	41 407	10% 159	1874	(*838)	850 E	1% 43	P8 1	9 44%	61%
361 }	300 17		24 291		Redece	500 41 560	4 25	41 W 18		22 47
153)	140 19	22% 27 13 18%		111/2	Poyel Insce		24 34			14
(30) E4	550 34%		20% 27		(*261)	260	\$ 22		4 15H	23%
585)	500 13				Tesco	200	13 22	27 1	% 7%	12%
et i Wa	425 34		18 -		P210 \	220	2 11%		2 18	23
443)	450 E1		29% -	-	Vodaline (*548.)		46 B3 % 22		1 14	45
ourtanide	550 AZY		17% 283		Williams	354	14 27%	35	3 12	18
578) Omer Links	900 16% 500 58%				(282.)	384 1	14 13	20% 21		
342)	550 25			3374	Dollan		ALS OCH		el Oct	
	800 51	64 75	2574 421	4 51 M	BAA		45 100		1 4234	
2 818)		4114 531			(*965) Timpes Wir		24 44% 20 27		90 80% 55 31%	
inghine:	550 45%	55% 68%	17% 27	4 34	[486)	500	8 13%		6 58%	
583)	800 20%	12 44 %	44% 5	60%	Cotton		um Sep		ın Bep	
and Score	650 ZB		244 8	2 35	- Abbey Had		16 23%		1 22%	
681)				5 6856	(F426)	480	6 16	25%	6 45H	50%
432)	420 Z3 460 T/s		15% 171		Ametrad	30	4 8		2 334	
afi/au		65 547			(*32) Baroleys	35 500	2 4 23 37%			37%
441)	450 18		31% 39		(1504)	550		27% 50		
aitabury	380 23%	2514 39H	16 263	4 29	Blue Circle	280 2		3014		18%
371)	330 11	21% 26%	35% 43	4672	(*297)		12 2474 14 15%	28% 13		2005
hei Trace.			1714 309		(281)	280 1		111/ 30		
713)	750 14 200 22			9 12	Distons		85 17½	22 9	19	22
215)	220 T4	15% 20%		9 20%	(200)	220	3 8%	15	23 321/2	351/2
i Majour	97 14				Hericani	180 1				8%
104)	106 8		. 1610		(*168)	160	4 11 11 18%		14 19 14 1514	18
icharer		77% 90%		4 42%	(*142)	150			21 27%	
*1(186) 2meca	1100 27Y	78% 657			REE POWER	420	17 25%	36	8 25	31%
196)	700 34	47% 5	29 43		(7426)	480	4 13	20	17 52%	
	-	Ang No	WHY AM	9 207	Scot Power		25 35		6 17	
atend Met	460 139				(347)		0% 19%		20 32%	
466 1		131/2 247 161/2 Z		1 18%	Sears (*120)	120	8 5		% 98 15 16%	11%
ASTRONE 183)	180 1				Forts	220		3174	4 9%	13
M Biscoles	360 7	25% 3	7% 17	% 25%	(734)	240	6 19		13 18	Z
360) .	396 1			7 4314	Targeze	156 1			1/2 -	-
2000 C	Jes	-	Jon Se		(161)	174			1% - 22 55%	-
teans	140 199			9 137	Thin Bu		7% 83% 31 57		22 9579 46 8314	
154)	180 7	1514 201	1206 1	9 24%	(*1129) TSB	200	15 25%		% 11	
Option	Ties.	Aug No	May Ad	g Nov	(210)			17% 1	% 22Y	28
AR ARTO	480 32%			7 39	Tombie		7% 25	29 5	14 123	15%
485 }		4772 577		5 60%	(1551)	260		18% 1		
AT Inds	420 42%	5474 B	1 1	7 15%	Wellcosto	500 550 2		861/2 57 25		52%
459	460 7	27% 3	7 514 2	2 33	(*544) Option				tal Oct	
TIP OR	200 74	25% &	5 16	% 25%		100	A 10		18 35%	_
778 7393)	420 1	11 199	2014 34	43	(1299.) (1299.)	550	时 75 33 年		14 JON 38 60%	
VE Telecom	380 5%	23% 2	234 16	7 224	(88) 70 曲			164		
387	390 1	10% 157	25 3	7 41	(1682)	708 4	3% 62%	BO% 5	% 71H	81
andery Sea			17%		Reptara			\$5H		
479)	493 27		·	Ī.	(507)	512	27 37	May 1	28 37	
anters Rec	550 23%	44 515		6 35%	Option					_
500)	800 2			7 63%	Ruto-Rayce	180	18 25% NJ 196		1 7 7	
200000	480 199	34% 40		5 22	(198)		294 139			_
1474) EC	500 Z	14% 269		7 21	" Underlying based on the	g securi	y price	Promisir	the shot	MD 876
302)		41/2 30/2		% 41%	May 3, Too	i contra	cts: 21,	60 Calle	12,00	Pult
, , ,	.,,,				4 Tel.	-	_	_	-	-

2775.16 +0.2 2788.36 2873.90 1994.54 2367.69 -0.6 2364.67 2363.64 1637.18 1563.66 -1.2 1573.16 1676.29 1418.78

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Mineral Extraction	British Funds			1		65		7
149 117 440 117 440 117 440 117 440 117 440 117 440 117 440 117 140	Other Fixed Interest	-		0				12
Consumer Goods	Mineral Extraction							74
Services	General Monufacturers							ЮЗ
TRADITIONAL OPTIONS 7 90 7 90 7 102 88 11 102 88 11 102 103 10	Consumer Goods							14
TRADITIONAL OPTIONS 102 88 11	Services			91			3	32
hypestment Trusts 53 129 25 Others 64 38 2 Totats 562 674 145 Determine these compenies tated on the London Share Service. TRADITIONAL OPTIONS	Utilides			. 7				9
Others 64 38 2 Totats 562 674 145 Date based on those companies fated on the London Share Service. TRADITIONAL OPTIONS	Financials							87
Totals 562 674 145 Date based on those companies listed on the London State Service. TRADITIONAL OPTIONS	Investment Trusts						2	
Date based on those companies listed on the London State Service. TRADITIONAL OPTIONS	Others			64		38_		28
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			adaq Sisten Service	•				
	TRADITIONAL OPTI First Dealings Lost Dealings Culic AB Foods, Acom Comp.	IONS April 18 April 29 ., Ashley Gep	Lust Declarati For settlements D. Stale, Investor	ons L	o, W	orth t		20
LONDON RECENT ISSUES: EQUITIES	TRADITIONAL OPTI First Dealings Lost Dealings Culte AB Foods, Acom Comp.	IONS April 18 April 29 ., Ashley Gep	Lust Declarati For settlement Bulle, Investor EQUITIES	ons L	0., W	orth k		DQ.
Issue Amt Mit. Glose	TRADITIONAL OPTI First Dealings Lost Dealings Callet AB Foods, Acom Comp. LONDON RECENT I Issue Ant. Mitt.	IONS April 18 April 29 ., Ashley Gep	Last Declarati For actioners Dulla, Investm EQUITIES Close	ons L			w. Te	Ł
Issue Arnt Mtt. Glose price paid cap - 1994 price Nat Div. Gra	TRADITIONAL OPTI First Dealings Lost Dealings Callet AB Foods, Acorn Compa LONDON RECENT I Issue Ant. Mit. pree paid cap 1994	April 18 April 29 L. Achdey Gro	Lust Declarati For astilement D. Bula, Investm EQUITIES Close price	ons test C	Net	Div.	Grs	DQ.

Issue	Amt	Mict.				Close			-	_	
price	paid	cap '				price		Net		Gra	P/E
P	up	(E)rrL)	High	LOW	Stock	р	+/-	αtv.	cov.	ysc	PAL
100	F.P.	40.4	102	96	Abtrust High Inc	101		-	-	-	
	F.P.				Abtrust Scot Wits	10		-	-	-	
					Ashenti Gold	2143	+14	-	-	-	
-	F.P.	805,0	227	205	Capital Shop C'tre	223	-2	u6.5		3.6	63.
-	F.P.	9.12	287 2	2822	Chester Water	28212		1235.0	43	3.6	8.5
_	F.P.				Edinbalt, Inca Wis	28		-	-	-	-
_			483	480	Govett Global Smir	480	-1	-	-	-	-
110	F.P.				Groupe Chez Grd	113		b-	-	-	18.4
180				178	House of Freser	183	-5	LNS.0		3.4	16.6
155				152	Nottingham	180	-1	u5.52	1.8	4.3	15,7
80			87	73	Orderd Molecular	74	-7	-	-	-	-
200					Partoo	241	+4	L5.35	22	28	
180					Persona	178	+1	LN3.54	2.8	2.7	16.0
	FP				Secure Retirement	60	+1	_	-	-	-
120				131	St James Bot Hot	131		FIND.8	1.7	3.6	18_
196					Superscape VR	260		_	-	_	-
	F.P.				Templeton Lat Am	9112		-	-	-	-
,	F.P.				Do Wits	45		-	_	_	-
					Templeton Emg C	1023	_12	-	_	-	-
100					Undervalued Asks	10112	+12	-	-	-	-
	F.P.				Wellington	218	-3	W5.17	20	3.0	20.0
203				-			_				

SSU8 Drice	Amount	Renun.	19	94		Closing	+01-
р	up	clate	_ High	Low	Stock	р	
	Ni	-	3pm	1pm	Abtrust Scotland	1 ¹ 20m	
390	N	17/8	3900	28pm	Airtours	37pm	-2
52	N	2/6	4 ¹ 2pm	1 ¹ 2pm	Albert Fisher	4pm	
216	NE	9/5	390pm	180pm	Brit Blo-Tech Uts	180pm	-26
55	NI	_	16pm	5pm	Dale Electric	6pm	-2
9	N	27/5	34pm	1 _{4D} m	Era	14pm	
25	N		10pm	9om	Guinness Pest	9 ³ zpm	
180	N	26/5	44pm	19pm	Holliday Chem	43pm	
192	N	15/6	27mm	24pm	Hunters Armity	240m	
105	N	27/5	850m	18cm	LASMO	440m	وآ.
425	N	27/5	67 ¹ 20m	54pm	Meya	57 ¹ 20m	72
100	N	-	Spm	4pm	Mowlera	812pm	-
25	148	_	4pm	134000	Pentos	1-kpm	
45	NI	26/5	812pm	3pm	Shandwick	500	±2 ¹ 2
	NE	31/5	250m	13pm	Simon Eng	28pm	+1
100				Lom	Tampris	%pm	**
2	N	24/5	3thur			4pm	
23	M	26/5	4pm	2pm	Try Group		-8
330	N	8/6	43pm	35pm	Williams Hidgs	35pm	-9

FINANCIAL	TUKE	es eq	UITY	MDIC	ES	
	May 3	Apr 29	Apr 28	Apr 27	Apr 25	Yr ago
Ordinary Share Ord. div. yield				2509.8 3.97		

Ordinary Share	2494.1	2505.8	2504.2	2509.8	2402.4	2218.0	2713,6	2439.2
Ord. div. yield	3.69	3.97	3.97	3.97	3.99	4.16	4.05	3.43
Earn. ykd. % tull	5.42	5.40	5.41	5.39	5.44	8,27	5.51	3.82
P/E ratio net	19.79	19.87	19.85	19.89	18.72	19.80	33.43	19.48
P/E nutio nil	20.69	20.77	20.75	20.80	20.65	18.49	30,80	20.37
For 1984, Ordinary	Share Inde	at since of	emplation:	High 2713	L6 2/02/94	10W 49.4	26/6/40	
FT Ordinary Share I	ndex base	date 1/7/2	5.			-		

Ordinary Open	\$2000	_	changes 11.00		18.00	14.00	15.00	16.00	Hilah	
Open	3001	14.00	11/08	وبرعيد	Idver		100,00	سرين،	ruget	Low
2617.7	2515.7	2508.1	2601.8	2502.8	2502.8	2498.8	2502,0	2495.5	2518.0	2492.3
			May 3	Apr	29_	Apr 28	Apr 2	7 A	pr 26	Yr ago
SEAO be	rgains.		24,83	2 24	222	26,405	24,9	63 2	7,128	27,97
Equity tu	MOVER ((Emit		- 12	37.1	1771.3	1272	2.0 1	557.2	1053
Equity be	rosins (- 27	,846	S1.464	29.3	88 3	10,594	32.76
Shares to				- 4	84.0	663.6	521		635.2	487
4 Contracts		andres but	elanes and	-					_	

			May 3	chesti	Apr 29	Apr 26	Apr 27	#6 a	yènk/76	yleakd %	mile	700	FURNIT
T-SE 100			3100.0	-0.0	3125.2		3150.0	2812.6	3.91	8.41		35.06	1151.3
FT-SE Med 250		-	3775.8	-0.2				\$133.5	3.25	5.40	22.57		1384.3
T-SE Med 250 ex	byv Trust		3791.2		. 3797.0				3.38	5.51	21.23		1388.4
T-SE-A 350			1577.8		1588.3		1599.1		3.75	3.17		17.50	1189.4
T-SE SmallCap			1945.28				1939.35		3.05	4.12		16.10	1489.9
T-SE SmallCop et	MAN TRUE	res .	1923.82 1570.95				1915.51		3,00	6.02		17.11	
T-SE-A ALL-SHAF	Œ .			-0.0	1300.44	1300.0	1000.20	1444.12	444	-			
FT-SE AC	maries	· ALL	Mare	Davie				Year	DIV.	Eart	P/E	Xd ad	Total
			May 2	Day's	Anr 20	Apr 28	Acr 27	oge		yseki%	ratio	yes	Repar
									_				1039.7
10 MINERAL EXT	PLACTION	((18)	2623,54				2709.24		3,50	4.88 5.12		31.95	
12 Edwardtve Indu	etries(4)		3868,44		3000.3	20002.0	2846.73	1988 00	3.56	4.96		32.68	
15 Oil Integrated	39 .		2553.85				2089.43		3,42	1.26			1127.A
16 Oil Exploration	& Prod(1	1)	1967,49						3.56	431		23.14	
20 GEN MANUFA	CTURER	3(202)	2115.65		2126.0	2128.A	2128.35	1/84/0	2.85	2.00		12.27	1010.8
21 Building & Co.	netruction(31)	1300.8		12110	3 1327.0	1333.36	1841 70	3.43	3.64		26.58	986.00
22 Building Matis	& Merch	(30)	2076:96 2549.10				2552.23		3.61	4.47		28.38	1111.0
23 Chemicala(21)			2115.9		2138.9	4 2145.0	2148.42	1849.90	4.35	4.38		30.45	1063.6
24 Diversified Ind	petriota(16)		2055.7		2058 0	2054.6	2050.50	1926.80	3.57	6.29		12,72	
25 Electronic 6. E	lect Edinb	fac)	1966.6	5 -0.	9 1993.1	5 1965.9	1978.57	1498.50	2.78	3.72		15,77	
26 Engineering(7)	halalana N a		2460.4	8 -0:	2454 9	8 2470.3	2485.85	1790.20	. 4.26	2.18			
27 Engineering, V 28 Prioring, Paper	6 Priorit	771	2990.2	0 +0:	3 29/32 5	2 2966.4	2944.74	2368.10	2.77	4,77		26.59	
	ere)(20)	,	1826.0	3 +0.			1829,19		3,81	5.45			
			2785.8	3 - 40	4 2763.8	9 2730.4	2727.07	2748.40	4.20	7.43		41,59	
30 CONSUMER	annnab:	7	2280.2	5 -0	8 2293.1	0 2285.3	7 2287.98	2084.30	4,00	7,54		11.01	
31 Brewerles(17) 32 Spirits, Wines	e Charet	108	2964.8	9 -13	3002.5	7 2979.5	7 2996,38	2828.40	3.64	6,53			
	turbre 220		2362.0	e -0.	2 2386.3	2 2376.6	2372,42	2836.90	4.02	7.44		39,68	
33 Food Manufact 34 Household Go	ods(13)		2722.6	5 -0.	2 2726.7	8 2718.4	2703,84	2272.00	3.28	5.52		18,00	
36 Health Care(20	h		1719.9	3 +0	0 1712.1	D-1793.5	1707,36	1000-10	4.49	7.70		41.70	
37 Pharmaceutics	ds(11)		2951.8		2/60.5	0 2/ 10./ 8 3874 S	5 2697.79 5 3867.37	3739.20	5.48	8.96		102.3	
38 Tobacco(1)			3846.4							5.63		13,94	
40 SERVICES(22)			2042.3		8 2054.4	3 2055.6	2064.59	1/3/.00	2.85	6.12		31.60	
41 Distributors(31			3060.8		9 3067-2	0.1806 B	7. 3083,46 9 2268.89	1708.40	3.18	4.18		18.93	
42 Leieure & Hos	ds(23)		2245.2	T	4 9489 1	9 3152 5	2 3140.29	2245.10	2.07	4.65		33.89	
43 Media(39)		,	3118.4	E	4 4 606 0	0 1575 1	8 1572.20	1913.00	4.03	10.22	12.1	120	.913.6
44 Retailers, Foot	1(17)		1560.6		4 1500.2 4 1760.2	4 1761 4	1766.44	1501.70	2.56	5.59	22.4	5.48	918.5
At Datellors (600)	ara(44)		1756.1	•	9 1890 2	a 1679.1	0 1609.99	1505.80		6.90	16.5		1005.4
48 Support Service	cen(40)		1675.4		7 9535 4	3 2542.5	5 2520.38	1979.60	3722	3.96			
an Townson (16)			2516.4 1204.6		2 1189.7	3 1185.9	8 1172.65	1230.00	4.44	224	80,00	5.91	1019.4
51 Other Services	& Busine	101) 855	1201.0	4 7.		- 0044 7	8 2285.79	2040.90	4.54	7.91	15.6	5.80	824.0
			2203.3	-	8 2221.1	0 0199 T	0 2154.58	1689.90	3.96	11.84	10.3	15.85	844.8
60 UTILITIES(S6)			2091.8		B ZTUDA	2 13E3	1 1989.25	2017 50	6.36			- 0.00	832.0
62 Bectricity(17) 64 Gas Distribution	v(2)		1883.2		5 1912.U	9 1004 7	2029.25	1878.00		2 17	19.7		815.3
	ations(4)		1960.6		4 1000 7	0 1717.9	0 1747.63	1697.30	5.57	15.31	7.5	3.48	798.1
68 Water(13)			1668.9		4 10051	- 47-10-0	4 4 700 20	1817 97	3.67	5.93	20.4	16,49	1186.3
OB TROUBLES	(1990 IA		1707.6	00	<u>4 1714.8</u>	2 1/10.0	4 1723.29	13(12)	414.	_			
89 NON-FINANC			2148.9	9 -1.	8 2183,9	7 2196.1	3 2213.79	1883.40	4.18			5 89.57 9 55.86	
70 FENANCIALS	103)		2674.3		0 0739 2	# 2750 S	5 27 88 .15	2528.40	442			7 27.84	
71 Banks(10)			1291.0	_ ^	4 4000 0	7 1917 2	1 1321.2	1302.C	440	10.85		2 66.35	
79 Insurance(15)			2367.0		T CAMP A	0.2447.2	3 2478.90	2403.3 4	3.43			3 23.20	
74 116 ASSUTETICE	(5)		2947.7		7 0000 7	4 2055.3	12965.50	2400.40	3.44				
75 Marchant Ben	(5(6)		1889.3		4 4000 4	E 1909 N	1 1888.58	1430.40	0.10				917.5
77 Other Financia	424)		1836.9	a _0.	7 1648.3	2 1840,1	1 1031 <u>.44</u>	1200.00	3.54	3.79			
70 Property[38]					9 9948 9	7 2957	3 2958.84	2239.90	2.16	1.80	56.3	19.84	944,8
BO INVESTMENT	TRUETIS	122	2838.3	<u> </u>	3 <u>29 79.3</u>	. 200.00	4 4000 04	1000 40	3.68	8.00	200	4 17.11	1215
OU WASSINGNI	***********	-	1570.9	6 -0.	8 1680.4	4 1553.5	1 1590.23	1906.12		-			
89 FT-SE-A ALL	SHARE	أموا											
											10 10	ahia.	Low/de
Hourly m	hanne		n 10.	oo t	1,00	12.00	13.00	14.00	15,0	10		_	
	Open	9.0	20			109.3	3107.1	3102.2	3106.	9 310	20,1 3	133.0	3095.8
			8.1 3110				3778.8	3776.4			3.9 3	788.1	3773.1
FT-SE 100	3131.9 3785.9		7.0 378			3779.8 1581.9	1581.0	1578.9				591.9	1576.1
FT-SE MIC 250	1591.4			5.5 15	81.4	140140							
T-SE-A 350	19917									•			
	a 91-m	Jan 3,28	prit					٠.					
	ر انظام بھو کھ					Ne.							
lime of FT-SE 100 Hi		_ 2E/) Indu	suy :				0 15	20 16	15 C	loss F	Taylors	Cheng
time of FT-SE 100 H				11.00	12.00	13.0	14.0						
time of FT-SE 100 H	tuarie		161121				7 1238.	7 1235	7 123			1247.4	-8.2
time of FT-SE 100 H	tuarie: Open	9.00			1000 0								+51.8
E FT-SE AC	Open .	-	1242.9	1240.4	1239.0			3 2834				2730.B	
R FT-SE AC	Open 1249.0	1247.4	1242.9 2005.0	1240.4 2798.2	2796.7	2819.	3 2618	2 1656	5 165	4.0 16	54.1	1878.1	-24.0
Time of FT-SE AC	Open 1249.0 2802.7	1247.4 2909.8	1242.9 2805.0 1688.5	1240.4 2798.2 1662.5	2796.7 1662.8	2819. 1882	3 2618. 1 1656.	2 1656	5 165	4.0 16 0.9 27	54.1		
Bidg & Chetron	Open 1249.0 2802.7 1877.4	1247.4 2909.8 1677.0	1242.9 2805.0 1668.5 2729.0	1240.4 2798.2 1662.6 2715.3	2796.7 1662.8 2718.5	2819. 1882. 2717.	3 2618.2 1 1656.2 2 2712.2	2 1656 8 2717	.5 165 .1 271	4.0 16 0.3 27	54.1 07.0	1878.1 2771.9	-84.9
Bidg & Chetron	Open 1249.0 2802.7 1877.4	1247.4 2909.8 1677.0	1242.9 2805.0 1668.5 2729.0	1240.4 2798.2 1662.6 2715.3	2796.7 1662.8 2718.5	2819. 1882. 2717.	3 2618.2 1 1656.2 2 2712.2	2 1656 8 2717	.5 165 .1 271	4.0 16 0.3 27	54.1 07.0	1878.1 2771.9	-84.9
Bidg & Costron Pharmaceuticis Water Banks	Open 1249.0 2802.7 1877.4 2766.2	1247.4 2909.8 1677.0 2743.2	1242.9 2805.0 1688.5 2728.0	1240.4 2798.2 1662.6 2715.3	2796.7 1662.8 2718.5	2819. 1882. 2717. Securday	3 2618. 1 1656. 2 2712.	2 1656 8 2717	5 165 1 271	4.0 16 0.3 27	54.1 07.0	1578.1 2771.9	-84.9 -84.9 Tirsus d product
Bidg & Charron Pharmaceutics	Open 1249.0 2802.7 1677.4 2766.2	1247 A 2909.8 1677.0 2743.2	1242.9 2905.0 1668.5 2729.0 ss Stare ind	1240.4 2798.2 1662.6 2715.3 Lose is put	2796.7 1662.8 2718.5 Selected in Section Sho	2819. 1882. 2717. Securday in antique	3 2618. 1 1655. 2 2712. Service, W	2 1656 8 2717 of consti	.5 165 .1 2716 ments and 1	4.0 16 0.3 27	154.1 107.0 Irom The I	1578.1 2771.9 Principle per-base	-24.0 -84.9 Trees d product

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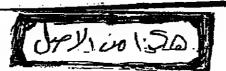
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THE PU FINANCIAL TIMES WEDNESDAY MAY 4 1994 FT MANAGED FUNDS SERVICE FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Deak on (071) 873 4378 for more details.

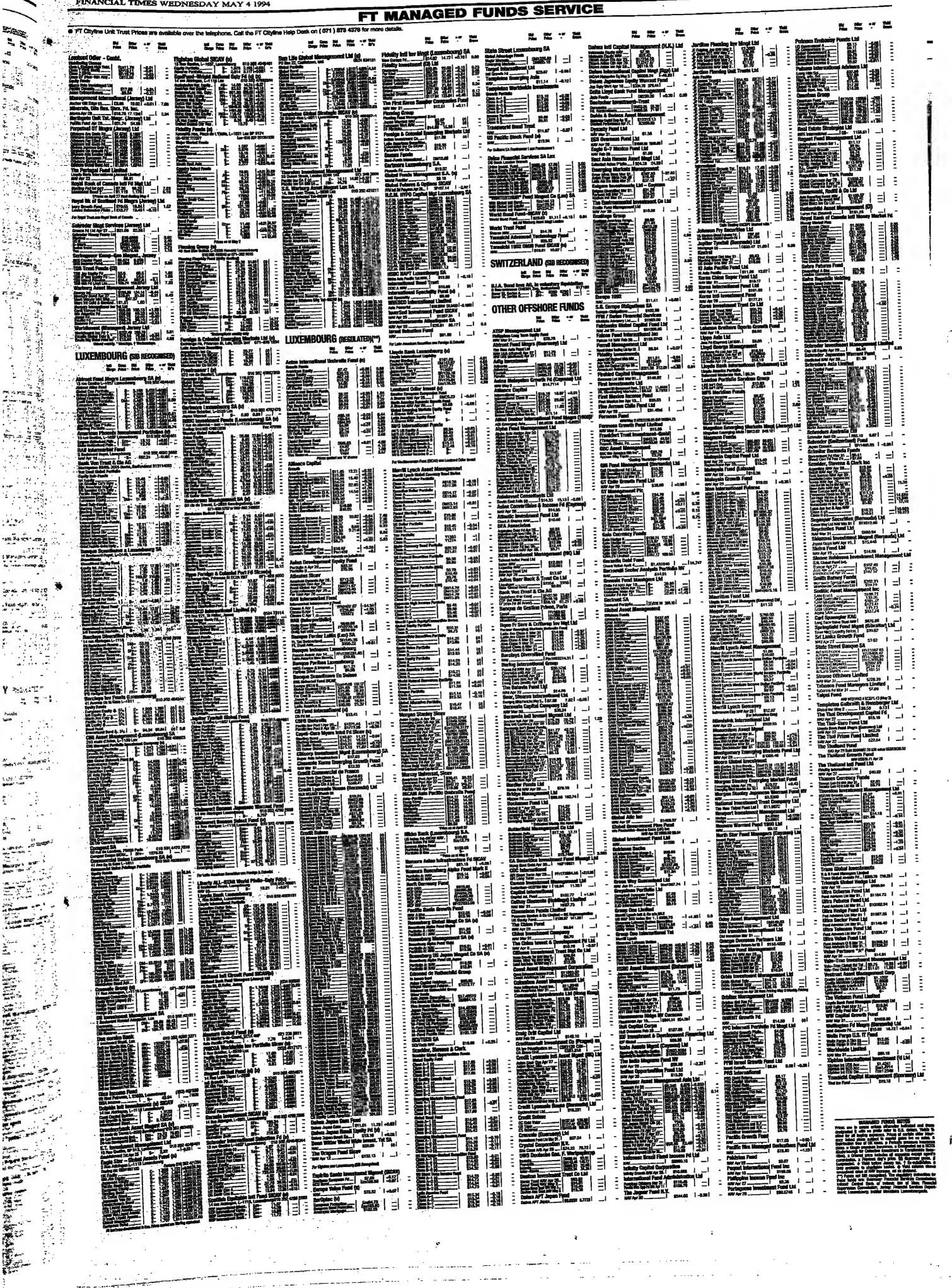
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Section 1

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MARKETS REPORT

36

Dollar remains fragile

2.55

Feb

1.5140 1.5130

1.5109 1.5078

■ The D-Mark was stronger in Europe, helped hy the improved outlook for the Ger-

man economy. The feature of European trading was the weakness of the Iberian currencies. The peseta finished in London at Pta81.84 from

Pta81.46 on Friday against the

D-Mark, while the escudo fell

in tandem to close at Es103.1

The catalyst for currency

weakness was the escalating

political scandal about the

police chief, coming on top of

an earlier embarrassment sur-

rounding a former Bank of

Spain governor, which caused

a minister to resign and prime

minister Felipe Gonzales to cancel an overseas visit.

But political scandal comes

against a background of ner-

vous investors searching for

security in European hond markets, which works against

high-yielding economies such

as Spain and Portugal, Me

Wendy Niffikeer, senior econo-

mist at IBJ International in London, said the scandal was

"an excuse for investors to sell the Iberian markets, because

the inflation outlook was not

as good as for some other

from from Es103.

-- Prev. close --1.5180 1.5165 1.5147 7.5115

The dollar yesterday fell to its lowest level in more than six months against the D-Mark, but there was no public evidence of further central bank support for the currency, writes Philip Gawith.

The dollar closed in London at DM1.6461, more than a pfennig down on its Friday close of DM1.657. Against the yen it finished at Y101.315 from Y101.485.

Trade was fairly quiet, following the UK long weekend and with Japanese markets closed for most of the week.

The dollar's woes spilled over into sterling, which finished nearly three prennigs lower at DM2.483, from Friday's close of DM2.5126. Political uncertainty ahead of tomorrow's local elections is also weighing on the UK currency. Elsewhere, a controversy in

Elsewhere, a controversy in Spain surrounding the disappearance of a former senior police official undermined the peseta and the escudo.

While there was no repeat of Friday's Fed support for the dollar, there was talk of concerted European central bank dollar purchases at \$1.6450. Since these activities are normally conducted through commercial banks, their origins are not always clear.

Current market consensus on the dollar is that it is likely to weaken in the sbort term, in defiance of fundamentals. But Mr Avinash Persaud, head of currency research at JP Morgan (Europe), argues that "the dollar is technically ripe for a large correction, were we to see co-ordinated and sustained central bank intervention."

He notes that a survey of clients, trading with 1-3 month time horizons, shows this segment of the market to be significantly short of dollars, for the first time in a year. Overall, says Mr Persaud, the market remains long of dollars, but it is the marginal investora who will determine a turn.

Mr David Cocker, currency analyst at Chemical Bank, said the US currency "would need very supportive comments from the Clinton administration to really turn the dollar around." US comments so far had been too ambiguous to ease market nerves.

Sherling 5.47 per cent currently. It dropped by 23 basis points over the past two weeks.

the past two weeks.

But Ms Phyllis Reed, European bond strategist at BZW, believes the market is making the error of extrapolating from past trends. With the mid-point of German call money yesterday at about 5.55 per cent, above the repo rate of 5.47 per cent, she predicts a cut of only 2-3 basis points.

In the futures market the June euromark contract closed at 94.89, down from 94.92.

Sterling gave up most of its recent gains with the sterling index closing at 79.6 from its previous close of 80.3. The pound normally trades in tandem with the dollar, so the US currency's weakness is one explanation for aterling's decline.

Political uncertainty is also weighing on the UK currency. Weekend press reports drew attention to the weak position of prime minister Mr John Major, and the market fears that heavy Tory losses in Thursday's local elections will aggravate matters further.

In the futures market, short sterling lost ground as the like-lihood of a further rate cut receded. Stronger than expected growth in April M0 was merely the latest in a string of data showing robust growth in the economy. The June contract closed at 94.59 from 94.62 on Friday. The longer contracts gave up more ground, with the December future fin-

ishing at 93.82 from 93.88.
Conditions in the money market remained easy as the Bank of England removed a small £100m shortage.

■ The guilder was unaffected hy elections in the Netherlands, closing at F11.123 from F11.122 Investors also stood on the sideline in South Africa, awaiting clarity about the outcome of the election. The financial rand firmed to R4.6 against the dollar from R4.625,

For opean conformes,	E OTHER CURRENCES					
The Bundeshank will announce today the results of its weekly repo tender. Market estimates are for the central bank to allow the repo rate to fall by 5-12 basis points from	May 3 Hangery Intel Kancel Pulsook Resola U.A.E.	2643.00 - 2649.00 0.4465 - 0.4480 33668.6 - 33721.8 2695.90 - 2754.74	\$ 101.970 - 102.070 1748.00 - 1750.00 0.2981 - 0.2989 22325.0 - 22250.0 1787.00 - 1783.90 1.6715 - 3.6735			

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Belgium	(BF/)	51.1033		609 - 227	51,4879	51,0839	51,1283			-0.4	51.1433	-0.1	115.2
Denmark	(DK)	9.7170	-0.0941	132 - 207	9.7856	2,7132	9.7272	-1.3	9.7405	-1.0	9.7502	-0.3	
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Luxembours	LFr)	81.1033	-0.5326	839 - 227			51,1283		51.1583		51,1433		115.2
Netherlands	F	2.7884		670 - 888		2.7870	2,7881	0.2	2,7888	0.0	2.7724	0.6	
Norway	(NK)	10.7738		696 - 778		10.7898	10.7882	0.6		-0.3	107719	0.0	85.1
Portugai	(Es)	255.984		623 - 345		255.823	256.959	-48		-46	10.7710	4.0	٠
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Sweden	SKI	11.4918		833 - 999		11.4888	11.5125		11.5488	-20	11.6676	-1.5	77.4
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Malaysia	(MS)	2,6232		308 - 342		4.0287							-
New Zaeland	(M23)			210 - 254		2.5202	2.6261	-1.3	2,6304	~1.1	2.639	-0.6	-
	(Peso)			993 - 711			-	-		-		-	-
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Singapore S Africa (Com.)	(88)	2.3441 5.3486		462 - 510		2.3408		•		-	-	-	-
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S Africe (Fin.)	(F)	6.9389		222 - 556 508 - 639		6.9204		-	-	-	-	-	-
South Korea Calwari	(Worth			508 - 639 582 - 228	1223,58		_	-		-	-	-	-
hatend	(13)	37.9677		438 - 916	38-1580			-	-	-	-	-	_

1909 rate for Apr 29. Biolotter spreads in the Pound Spot facile show only the fact three decimal places. Forward rates are not directly qui	steed to the mark
but are implied by current interest come. Storing index calculated by the Birnk of England. Been average 1985 = 100.8id, Other and Mid-risk	es in both the se
the Dollar Spot tables derived from THE WALFRELITERS CLOSING SPOT RATES, Some values are sounded by the F.T.	

Nery 3		Closing	Change	Eld/offer	Day's		Que mo		Tires m		One y		JP Morge
		mid-paint_	on day	spread	high	iqui	Rate	*PA	Pate	MPA	. Pete	KPA	index
Europe													
Austria	(Soh)	11.5860	-0.021	825 - 875	11,5195	11.5590	11,9		11.61	-6-9	11,5853	0.0	103.0
Beigium	(BFr)	33,8780	-0.1265	730 - 830	33.9930	33,8500	33,923		33,965	-1.3	33,966	~0.3	104.5
Denmark	(DKI)	6,4417	-0,0194	407 - 427	8.4897	6.4407	6.4534	-22	5.4702	-1.5	6,4779	-0.6	103.6
Finland	(PM)	5.3413	+0.0115	363 - 463	5.3648	5.3288	5,3453		5.3523	-0.8	5.3625	-0.4	77.1
France	(FFr)	5.6388	-0.0117	365 - 410	5.6590	5.8330	5.6482	-20	5.6589	-1.4	5,6551	-0.3	104.2
Germany	(0)	1.6461	-0.004	458 - 463	1.6520	1.5438	1,5461	-1.4	1.6497	-0.9	1.6497	-02	104.8
Greace	Ori	242,300	+0.45	100 - 500	243,200	242,100	246.05	-18.6	283,425	-18.4	282 3	-16.5	70.4
Iretand	823	1.4758	~0.0045	746 - 770	1,4826	1,4708	1.4732	2.1	1,4694	1.7	1.4613	1.0	_
Italy	<u>a</u>	1588.75	-0.75	625 - 725		1583.50	1592.45		1801	-36	1527.75		78.B
Luciambourg	0.Fn	83.8780		730 - 630	33,9830	23 R500	33,923	-1.6	33,666	-1.3	33,968		104.5
Netherlands	F	1,8485		480 - 490	1,8955		1,8504	-1.3	1.8522	-0.5	1.8517		1040
Norway	OKO.	7,1423		413 - 433		7,1581	7,151	-1.5	7.1635	-12	7,1743		95.1
Portugal	(Es)	189,700		500 - 900	170.983		171	-92	172.95	-7.7	178.2		92.9
Spain	Ptal	134,700		850 - 750		134,650	135,195	-43	135.84	-3.7	138.075		80.7
Sweden	(SKI)	7,6182		144 - 219	7.8627	7.6007	7.6417	-87	7.681	-33	7.7902		83.0
Switzerland		1,4040		035 - 045	1.4065	1,4000	1,4217		1,4028	03	1.387		104.1
	(SFY)	1,5065				1,5059			1.5053		1,5025	1.2	88.7
LIK	Ω			081 - 088	1.5180		1.5071	1.1		0.8			897
Bou	_	1.1710	+0.000	706 - 715	1.1723	1,1673	1,1681	2.0	1,1868	1.4	1.1662	0.4	-
SDR	•	1.42469	-	-	-	-	-	-	_	-	-	-	-
Americas		-											
	(Pesc)	0,9984		983 - 964	0.9984	0.9983	-	-	-	-	-	-	_
\$132	(CI)	1345.13		512 - 514		1345.12		-	-	-		-	_
Canade	(CS)	1.3841	+0.0022	838 - 843	1.3845	1,3807	1,3863	-1,9	1,3902	-1.8	1.4046		83.0
	Peso)	3.2850	+0.02	800 - 900	3.2900	3.2500	3.296	-0.4	3.2878	-0.3	3.2952	-0.3	
USA	(5)		-	-			-		-				P9.3
Pacific/Middle	East/	Africa											
Australia	IAS	1,4158	+0.0107	148 - 168	1,4158	1,4045	1,4105	-1.1	1,4212	-1.7	1.4318	-1.2	85.7
Hong Kong	0-000	7.7252	+0.0002	247 - 257	7.7257	7,7247	7.7282	-0.5	7.7342	-8.5	7.7589	-04	_
incla	(Pa)	31.3875	-0.0036	650 - 700	31,3700	31,3850	21,4326	-2.5	31,5575	-26	-	-	-
lepan	m	101.315	-0.46	290 - 340	101,820	101,100	101.16	1.8	100.78	2.1	98,555	2.7	149.2
Malaysia	DAS	2.6733	-0.0041	728 - 738		2.6710	2.6983	3.1	2,6508	3.4	2.7133		_
New Zeetand	6NZS	1.7390		379 - 400	1.7400	1.7349	1.7403	-0.8	1,7448	-1.9	1,7887	-1.5	_
	Pesol	27,5350		850 - 850	27.8850			-			127 200		_
Sauci Arabia	SPE	3.7504	+0.0001	502 - 505	3,7505	3,7502	3.7511	-0.2	3,7534	~0.3	3,7649	-0.4	_
		1.5540		\$35 - 545	1.5545	1,5535	1.5534	0.5	1,5529	0.3	1.5515	0.2	_
Singapore	(55)		+0.0235	450 - 485	3.5465	3,5120	3.5623	-6.8	3,5883	-48	3,6813		_
S Africa (Corr.)	(FI)	3.5458									70013	-3.6	_
8 AMCs (Fin.)	, P	4,6000		900 - 100	4.8250	4.5750	4.834	-8.9	4.894	-82	***		-
South Korea	(Won)	805.950	-1.3	700 - 200	807,500		808,95	-4,5	B12,45	-32	830.95	-3.1	-
Tahwan	(LZS)	26.4550	+0.045	500 - 600	26,4800		26.5206	-3.0	26,621	-25			_
Theffand	(134)	25,1700	-0.01	900 - 900	25,1800	25,1600	25.25	-38	25,375	-3.3	25,895	-2.9	-

EMS EUROPEAN CURRENCY UNIT RATES

0.794658

2.15587

8.61272 7.58436 158.018

1793.16 1860.57 46.09 0.789749 0.776195 +0.00642

2,19672 40,2123 1,94964 6,53883 7,43679 +0.003535

-0.00811 -0.0083 -0.0036 -0.01395 -0.02358 +0.519 -1.73 -1.25 -1.21 -1.03 1.13 1.72 2.44 3.12

4.93 4.54 4.38 4.18 1.98 1.38 0.66

EXCHAN	E CF	OSS	RATES															
May 3		BFr	DIC	FPY	DM	_ 82	_ L	FI	Micr	Es	Ptm	SKr	SFr	3	CS	_ \$	_ Y	Ecu
Belgium	(BFr)	100	19.02	16.65	4.859	2,000	4683	5.456	21.08	500.8	397.7	22.49	4.145	1.957	4,068	2.953	299.0	
Dommark	(DKr)	52.58	10		2.555	1,052		2.669	11.08	263.4	209.1	11.82	2.180	1,029	2,149	1.553	157.3	
rance	(FFr)	60.08	11.42	10	2919	1,202	2813	3.278	12.66	300.8	238.9	13.61	2,490	1.176	2,455	1.774	179.8	
Sermany	(DM)	20.58	3.913	3.426	1	0.412	963.8	1.123	4.337	105.1	81.84	4.627	0.653	0.403	0,841	0.608	61.54	
related	(PE)	50.00	9.508	8.323	2.430	1	2341	2,728	10.54	250,4	198.8	11.24	2.072	0.978	2.043	1,477	148.5	
taly	a)	2.135	0.406	0.355	0.104	0,043	100.	0.117	0.450	10.69	8.491	0.480	0.089	0.042	0.087	0.083	6.385	
Vethorlands	(171)	18.33	3.485	3.051	0.891	0.367	858.3	1	3.863	91.79	72.89	4121	0.750	0.350	0.749	0.541	54,81	
forway	(NKI	47.45	9.022	7.896	2.305	0.949	2222	2.589	10	237.8	188.7	10.67	1.987	0.929	1,839	1.401	141.9	1.196
artuged	(Es)	19.97	3.797	3.324	0.970	0.399	835.1	1.089	4.209	100.	79.41	4,480	Q.828	0.391	0.815	0.590	59.71	0.503
Species	(Pta)	25.15	4.782	4.188	1.222	0.503	1179	1.372	6.300	125.8	100.	5.655	1.042	0.492	1,028	0.743	75.20	0.634
Portegion	(SKr)	44,47	8.457	7.403	2.161	988.0	2083	2.426	8.373	222.7	176.8	10	1.843	0.870	1.817	1.313	133.0	1,121
witzerland	(SFr)	24.13	4.588	4.016	1,172	0.483	1130	1.316	5.085	120.8	95,94	5.425	1	0.472	0.986	0.712	72.14	0.608
MC .	(2)	51.10	9.717	8.506	2.483	1.022	2393	2,788	10.77	255.0	203.2	11.49	2.118	1	2,068	1.509	152.8	1.258
Corrender	(CS)	24.47	4.654	4.074	1,189	0.489	1146	1.335	5.158	1228	97.32	5.503	1.014	0.479	1	0.723	73.18	0,617
JS	(5)	33.86	6.439	5.637	1,645	0.677	1586	1.848	7.137	169.6	134.7	7.614	1,404	0.663	1.384	1	101.3	0.854
lapas	m	334.4	63.59	55.67	18.26	8.668	15661	18.25	70.48	1675	1330	75.20	13.86	8.545	13.66	8.876	1000.	8,429
SCU .		39.67	7.544	6.604	1.928	0.793	1658	2.165	8.362	198.7	157.8	8.921	1.844	0.776	1.621	1.172	118.8	1
'en per 1,000; D	nish Kron	er, Frenct	s France, Nor	weglan Kror	wer arrid S	wedsh	Kronor per	10; Belgien	Franc, Ex	ouds, Line	and Penet	per 106.						
D-MARK P	TURES	(DARWO) D	M 125,000	per DM					3	PART	e YES F	UTURES	(RAN) Yen	12.5 ps	Yen 100			
(pen	Latest	Change	High	Lo	w	Est, vol	Open int.			Ореп	Latest	Change	Hig			Est. voi	Open int
	5052	0.6061	+0.0007	0.6074	0.60		34,487	110,835	Jun		1.9864	0.9887	+0.0037	0.99			14,651	61,844
	5065	0.6057	+0.0007	0.6067	0.60	756	409	3,946	Sap		1.8655	0.9946	+0.0037	0.99	85 , 0.4	2946	147	3,372
Dec	•	•	-	•	•		•	•	Dec		•	-	-	-		•	•	•
	NC PUT	UPIES (II	MMQ SEY 12	25,000 per	SFr				# \$1	BURLEY.	PUTUR	ES (PARA)	262,600 p	er E				
SWISS FRA	7130	0.7135	+0.0008		0.71		13,140	40,322	Jun		.5136	1.5078	-0.0060	1.51	48 1.5	070	8,603	48,057
un Q.			+0.0001	0.7163	0.71	45	248	765	Sap	1	.5090	1.5040	-0,0066	1.50		1040	106	1,170
		0.7148	. 4.400			_			Dec			1.5030				030	22	47

	Open 0.6052 0.6065	0.6	061 -	Change +0.0007 +0.0007	0.6074 0.6067	0.60 0.60	144 5	54,487 408	Open Int. 110,835 3,946
■ SWISS Fe	MANC I	UTUR	BS (IMM	9 SFY 125	,000 per 1	SFr			
	0.7130 0.7151 -			+0.0006 +0.0001	0.7147	0.71 0.71		3,140 248	40,322 765
WORLD	a IRi 1	ERE	ST R	ATES		÷			100
MONEY	RAT	ES							
May 3		Over night	One month	Three miths	Stx raths	One year	Lomb. Inter.	Dks. radio	Repo rate
Belgium		511	51	54	574	594	7.40	4.75	-
week ago		-	51	59	51	61	7.40	4.75	
França week ago		5% 50	5%	5%	5% 5%	5% 5B	8.70 5.80	-	7.75 7.75
Gennany		5.52	5.42	5.32	5.22	5.20	8.50	5.00	5.47
week ago		5.40	5.42	5.38	5.32	5.28	6.50	5.00	5.58
Ireland		5%	50	8	64	64	_	_	8.50
week ago		8	50	8%	64	64	-	8.00	6.50 8.27
italy week ago		81 81	87 87	8	8	87		3.00	8.27
Notherlands		5.46	5,26	5.22	6.21	5.20	_	5.25	021
week ago		5.40	5.26	5.36	5.36	5.35	-	5.25	-
Switzerland		33	4	4	4	4	6.625	3.50	-
week ago		34	4	44	42	636	6.625	3,50	-
week ago		34	- 4	43	43	54	=	3.00	
Japan		21/4	214	24	24	27	_	1.75	-
week ago		216	214	214	2%	21	-	1.75	-
S LIBOR	T Lon	don							
Interbenk Fb		_	41	4%	4% .	54	_	-	-
week ago		-	44	414	4%	514	-	-	-
US Dollar Ci	Ds	-	3.84	4.14	4.55	5.15	-	-	-
week ago SDR Linked	P	_	3.84 3%	4.04 3%	4.41 3%	4.98	-	-	-
week 200	24		3%	375	3%	2	_ =	Ξ	
ECU Linked De rates are offers day. The backs Met rates are a EURO C	Alcount of	N 210 CIO	quoted t ust, Bank mestic M	in the mari of Takyo, taney Rate	Barclays a LUS S CC	reference and Nation	period Marie Was DR Links	ne 11am e Industri ed Deposi	each working is (De).
	UHH	enc'	Y INT						
Mary 8		Short	7 de	ERES	T RAT	Three		Stox	One
		Short te rm	7 de	ERES	T RAT	Three months	, mo	Sion entitles	One
Beiglen Franc	51	Short term	7 de notic	ERES	T RAT	Three months	, mo	Siox criths	One year
Beigien Franc Denish Krone	54; 64	Short term 1 - 5/2 4 - 5/4	7 de notic 5(2 - :	ERES 30 0 54 54 54 64	TRAT	Three months	54,	Siox uniths - 5% - 512	One year 54 - 55 64 - 58
Beiglen Franc Danish Krone D-Mark Duich Guilder	54; 64; 55; 83	Short term 2 - 5/2 4 - 5 ¹ 4 9 - 5 ¹ 2 9 - 5 ¹ 4	7 de notic 5/2 - : 6 ¹ 4 - : 5 ¹ 2 - : 6 ¹ 3 - :	FRES 52 54 64 54 64 54 64 54 54 54 54	T RAT	Three months 5% - 6% 5% - 5% 5% - 5%	54, 64, 64, 64,	Siox crithes - 5% - 5/2	One year
Beiglen Franc Dentsh Krone D-Mark Dutch Guilder Franch Franc	\$48 \$48 \$42 \$43 \$43	Short term 2 - 5% 4 - 5% 9 - 6½ 9 - 5% - 5%	7 de notic 5/2 - : 5 ¹ 2 - : 5 ¹ 2 - : 5 ¹ 2 - : 5 ¹ 3 - :	FRES ya 52 54 54 64 54 55 65 65 65 65 65 65 65 65 65 65 65 65	T RAT	Three months 5% - 6% 5% - 5% 5% - 5%	54 64 64 54	Sic. - 5% - 5% - 5% - 5% - 5%	One year 54 - 55 64 - 53 54 - 54 54 - 54
Beiglen Franc Dentsh Krone D-Mark Dutch Guilder Franct Franc Portuguese Es	54, 64, 55, 54, 8	Short 10m 2 - 5/2 4 - 5/4 9 - 5/2 9 - 5/4 - 5/4 1 - 12	7 de notic 5/2 - 5	FRES 52 54 64 54 64 54 54 54 54 54 54 54 54 54 54 54 54	T RAT	Three morths 514 - 514 - 514 - 514 - 514 - 514 - 514 - 514 - 514 - 514 - 11	54 64 54 54 54	50x - 5% - 5% - 5% - 5% - 5% - 10% 1	One year 54 - 55 64 - 51 54 - 51 54 - 51 54 - 51 55 - 51 55 - 51
Beiglen Franc Dentah Krone D-Mark Dutch Guilder Franct Franc Portuguese Ea Spanish Peset	54 64 55 63 64 64 12	Short term \$ - 5% \$ - 5% \$ - 5% \$ - 5% \$ - 5% \$ - 5% \$ - 12 \$ - 7%	7 de notic 512 - 512 - 512 - 513 - 1234 - 715 -	54 54 54 54 54 54 54 54 54 54 54 54 54 5	T RAT	Three morths 54 - 54 - 54 - 54 - 54 - 54 - 54 - 54	54, 54, 54, 54, 711, 711	550x - 550 - 510 - 510 - 510 - 510 - 510 - 710 - 710 - 710	One year 54 - 55 64 - 56 56 - 56 54 - 54 54 - 54 05 - 104 78 - 74
Beiglen Franc Dentah Krone D-Mark Dutch Guikler Franch Franc Portuguese Ea Spanish Peset Sterling	54; 64 55 54 8 6. 12 12 14 47	Short term 2 - 5/2 4 - 5 ¹ 4 1 - 5 ¹ 4 1 - 5 ² 4 2 - 7 ² 4 4 - 4 ² 4	7 de notic 5/2 - 5/2 - 5/2 - 5/2 - 7/4 - 7/4 - 5 - 4	54 54 54 54 54 54 54 54 54 54 54 54 54 5	T RAT	Three morning 514 - 62 614 - 514 614 - 514 514 - 514 514 - 514 514 - 514 514 - 514 514 - 514	54 54 54 54 54 54 54 54 54 54 54 54 54 5	Six anths - 5 ² / ₁ - 5 ¹ / ₂ - 5 ¹ / ₂ - 5 ² / ₃ - 10 ³ / ₄ 1 - 7 ³ / ₄	One year 54 - 55 64 - 56 56 - 56 54 - 54 54 - 54 76 - 76 76 - 76 57 - 54
Beigien Franc Denish Krone D-Mark Dutch Guilder France Portuguese S Spanish Peset Sterling Swiss Franc	543 64 55 64 86 12 12 14 47 47 53	Short term 1 - 5/2 2 - 5/4 3 - 6/2 3 - 5/4 4 - 12 5 - 7/4 4 - 4/4 4 - 3/4 4 - 5/2	7 de notice 5/2 - 5/2 - 5/2 - 5/2 - 5/2 - 7/4 - 7/4 - 3	FRES ya 5,2 5,2 5,3 5,4 5,4 5,4 5,4 5,4 5,4 12,4 13,4 7,4 7,4 7,4 3,5 4,3 3,5 4,3 5,4	T RAT	Three moreting 544 - 6564 - 5516 - 542 - 542 - 542 - 544 -	54 54 54 711 6 54 54 54 54 54 54 54 54 54 54 54 54 54	50x - 55g - 55g - 55g - 55g - 105g - 75g - 75g - 37g	One year 54 - 55 61 - 51 54 - 51 71 - 51 71 - 71 71 - 71 71 - 71 71 - 71 71 - 71 71 - 71 71 - 71
Beigien Franc Dentah Krone Dektark Dutch Guilder France Franc Portuguese Es Spankin Peset Sterling Sterling Sterling Tanc Dollar US Dollar	51: 61: 55: 8: 8: 12: 12: 14: 37: 51: 31:	Short term 1 - 5% 4 - 5% 9 - 6½ 9 - 5% 1 - 12 1 - 12 1 - 7% 1 - 12 1 - 3% 1 - 3% 1 - 3%	7 de notice 5/2	ERES (m. 54, 54, 54, 54, 54, 54, 54, 54, 54, 54,	TRAI One conth - 54 - 54 - 54 - 54 - 54 - 124 - 74 - 64 - 34 - 63 - 34	Three morths 514 - 514 - 514 - 514 - 514 - 514 - 514 - 514 - 514 - 514 - 514 - 514 - 514 - 514 - 514 - 514 - 414 - 414	54, 54, 54, 54, 54, 44, 44, 44, 44, 44,	50x - 551 - 552 - 552 - 552 - 1054 1 754 - 753 - 753 - 754 - 754 - 754	One year 54 - 554 56 - 564 56 - 564 56 - 566 56 - 566 56 - 566 66 - 566 66 - 566 66 - 566 66 - 566 66 - 566
Beigien Franc Danish Krone D-Mark Duach Guilder Franch Franc Portuguese Es Spanish Peset Sterling Swas Franc Carr, Dobar US Dollar tullian Uni	54 64 55 64 62 12 63 74 43 53 84 88	Short term 1 - 5/2 4 - 5/4 9 - 6/2 9 - 5/9 1 - 12 2 - 7/2 1 - 3/4 1 - 3/4 1 - 5/2 2 - 3/4 1 - 5/2 2 - 3/4 3 - 5/2 4 - 5/2 4 - 7/2	7 de notice 5/2	54 54 55 54 55 54 55 54 55 54 55 54 55 55	544 (-	Three months 54 - 64 64 - 54 54 - 54 54 - 54 54 - 54 54 - 54 54 - 54 54 - 54 54 - 54 54 - 54 54 58 - 74	54 54 54 711 64 44 68 68 48	50x - 551 - 552 - 552 - 552 - 1054 1 754 - 753 - 753 - 754 - 754 - 754	One year 54 - 554 56 - 564 56 - 564 56 - 566 56 - 566 56 - 566 66 - 566 66 - 566 66 - 566 66 - 566 66 - 566
Beiglerr Franc Denish Krone D-Mark Dutch Guilder Franc Portuguese Es Spanish Peset Spanish Peset Sering Sering Cen, Doller Lis Doller Lis Doller Mallen Uni Yon	54 64 55 64 12 12 47 37 54 37	Short term 2 - 5% 4 - 5% 4 - 5% 5 - 5% 5 - 5% 5 - 5% 5 - 7% 5 - 4% 6 - 3% 6 - 3% 6 - 3% 7 - 3% 7 - 3% 7 - 3% 7 - 3% 8	7 de notice 5/2	THES 192 193 193 193 193 193 193 193 193 193 193	T RATONE 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Three months 54 - 64 64 - 54 54 - 54 54 - 54 54 - 54 54 - 54 54 - 54 54 - 54 54 - 54 54 - 54 54 58 - 74	54 54 711 64 44 44 44 44 44 44 44 44 44 44 44 44	36x artifus - 55½ - 55½ - 55½ - 55½ - 55½ - 55½ - 55½ - 55½ - 55½ - 55½ - 55½ - 25½	Cne year 54 - 55 64 - 55 64 - 55 65 - 57 65 65 - 57 65 65 - 57 65 65 - 57 65 65 - 57 65 65 - 57 65 65 65 - 57 65 65 65 65 65 65 65 65 65 65 65 65 65
Beigien Franc Daniah Krone D-Mark Datch Guilder French Franc Portuguese Ea Spaniah Peset Sterling Swiss Franc Carr, Dollar US Dollar Tullen Um Yen Adam 4Sing	54, 64, 65, 64, 65, 64, 65, 64, 65, 65, 65, 65, 65, 65, 65, 65, 65, 65	Short term 1 - 5.2 2 - 5.3 3 - 6.2 4 - 5.4 5 - 7.3 6 - 7.3 6 - 7.3 6 - 7.3 7 - 7.2 7 - 7 - 7 - 7 - 7 - 7 - 7 - 7 - 7 - 7 -	7 de notice 512	PRES 192 54 554 61554 6554 6554 6554 6554 6554 6	T RATONE 1 - 54 - 54 - 54 - 54 - 54 - 54 - 54 -	Three morths 514 - 524 - 515 - 524 - 516 - 524 - 517 - 718 -	54 54 54 54 54 44 66 44 44 66 44 44 44 44 44 44 44 44	36x artifus - 55½ - 55½ - 55½ - 55½ - 55½ - 55½ - 55½ - 55½ - 55½ - 55½ - 55½ - 25½	One year 54 - 554 56 - 564 56 - 564 56 - 566 56 - 566 56 - 566 66 - 566 66 - 566 66 - 566 66 - 566 66 - 566
Mary 8 Betglerr Franc Denish Krone D-Mark Dutch Gulider Franch Franc Portuguese Es Spanish Peset Sterling Sterling Sterling Sterling Sterling Halten Lim Yen Astern #Sing Short term rates	54, 64, 65, 64, 65, 64, 65, 64, 65, 65, 65, 65, 65, 65, 65, 65, 65, 65	Short term 1 - 5.2 2 - 5.3 3 - 6.2 4 - 5.4 5 - 7.3 6 - 7.3 6 - 7.3 6 - 7.3 7 - 7.2 7 - 7 - 7 - 7 - 7 - 7 - 7 - 7 - 7 - 7 -	7 de notice 512	PRES 192 54 554 61554 6554 6554 6554 6554 6554 6	T RATONE 1 - 54 - 54 - 54 - 54 - 54 - 54 - 54 -	Three morths 514 - 524 - 515 - 524 - 516 - 524 - 517 - 718 -	54 54 54 54 54 44 66 44 44 66 44 44 44 44 44 44 44 44	36x artifus - 55½ - 55½ - 55½ - 55½ - 55½ - 55½ - 55½ - 55½ - 55½ - 55½ - 55½ - 25½	Cne year 54 - 55 64 - 55 64 - 55 65 - 57 65 65 - 57 65 65 - 57 65 65 - 57 65 65 - 57 65 65 - 57 65 65 65 - 57 65 65 65 65 65 65 65 65 65 65 65 65 65
Beigler Franc Darlah Krone Datah Krone Datah Gulder Franch Franc Portuguese Es Spanish Peset Sterling Swats Franc Cen, Doller Tutlen Um Yen Asian Asing Short term state	51, 61, 55, 51, 51, 51, 51, 51, 51, 51, 51, 5	Short term 1 - 5/4 4 - 5/4 4 - 5/4 5 - 5/4 5 - 5/4 5 - 12 5 - 7/2 5 - 3/4 5 - 3/4 5 - 2/4 6 -	7 de notic 512 - : : 614 - : 512 - :	54 54 55 54	T RATONE CONTROL OF THE CONTROL OF T	Three months 54 - 65 64 - 54 64 - 54 64 - 54 64 - 54 64 - 54 64 - 54 64 - 54 64 - 54 64 - 54 64 - 54 64 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6	1 54 54 54 54 54 45 66 4 24 soutes.	Six miles - 55% - 55% - 55% - 55% - 55% - 55% - 55% - 55% - 55% - 55% - 55% - 55% - 55% - 55% - 55% - 25% -	Cne year 54 - 55 64 - 55 64 - 55 65 - 56 65 65 - 56 65 65 - 56 65 65 65 65 65 65 65 65 65 65 65 65
Beigler Franc Darlah Krone Datah Krone Datah Gulder Franch Franc Portuguese Es Spanish Peset Sterling Swats Franc Cen, Doller Tutlen Um Yen Asian Asing Short term state	54 64 55 63 80 63 12 37 53 34 31 31 31	Short term 2 - 5/4 4 - 5/4 4 - 5/4 9 - 5/2 9 - 5/2 1 - 12 2 - 7/4 1 - 3/4 1 - 3/4 2 - 3/4 2 - 2/2 8 for the	7 de notice 512	24 24 24 24 24 24 24 24 24 24 24 24 24 2	T RATONE (1975) - 5,4 - 5,4 - 5,4 - 5,4 - 5,4 - 12,4 - 12,4 - 12,4 - 3,4 - 3,4 - 3,4 - 7,7 - 2,4 - 2,4 - 2,4 - 3,	Three months 54 - 64 84 - 54 54 - 54 54 - 54 54 - 54 54 - 54 54 - 54 54 - 54 54 - 54 54 - 54 54 - 54 54 - 54 54 - 54 54 54 - 54 54 54 54 54 54 54 54 54 54 54 54 54	54, 54, 54, 711, 54, 711, 54, 44, 65, 44, 45, 66, 44, 45, 66, 66, 66, 66, 66, 66, 66, 66, 66, 6	Six mittes - 55% -	One year 54 - 55 65 - 55 - 55 - 55 - 55 - 75 - 75 - 75 - 75 - 75 - 55 -
Beigien Franc Danish Krone Dateh Krone Dateh Gulider French Franc Portuguese Es Spanish Peset Sterling Swates Franc Cen, Doller Tallen Uni Yen Astan 4Sing Short term usta	54; 64; 55; 64; 64; 65; 66; 67; 67; 67; 67; 67; 67; 67; 67; 67	Short term 2 - 5/4 4 - 5/4 4 - 5/4 5 - 5/4 5 - 5/4 5 - 5/4 5 - 7/4 5 - 3/4 5 - 3/4 5 - 2/4 6 - 2/4 6 removed	7 de notic 512	PALES (MAA) 54 54 64 65 55 55 55 55 55 55 55 55 55 55 55 55	T RATONE (1975) - 5,4 (-5,4)(-5,4 (-5,4 (-5,4)(-5,4 (-5,4)(-5,4 (-5,4)(-5,4 (-5,4)(-5,4 (-5,4)(-5,4 (-5,4)(-5,4 (-5,4)(-5,4 (-5,4)(-5,4 (-5,4)(-5,4 (-5,4)(-5,4 (-5,4)(-5,4)(-5,4 (-5,4)(-5,4)(-5,4)(-5,4 (-5,4)(Three months 554 - 5564 - 5514	54, 54, 54, 54, 6, 6, 6, 6, 6, 6, 6, 6, 6, 6, 6, 6, 6,	Six raths - 5% - 5% - 5% - 5% - 10% 1 - 7% - 6% - 4% - 2% - 2% - 3 dd rate at the same at the voice at the vo	Cone Year 54 - 55 65 6- 56 65 6- 56 65 6- 56 65 6- 56 65 6-
Beigien Franc Darlah Krone Daltark Datch Gulder Franck Franc Portugues Sieding Steams Franc Carr, Dollar US Dollar Ration Lim Yon Asian & Sing Short term salar E Thanker &	54, 55, 64, 55, 64, 55, 64, 74, 74, 74, 75, 74, 75, 75, 75, 75, 75, 75, 75, 75, 75, 75	Short 1 - 5,2 2 - 5,4 3 - 5,5 4 - 5,5 5 - 7,5 5 - 4,6 6 - 3,6 7 - 3,6 7 - 2,6 7 - 2,6 7 - 2,6 7 - 2,6 7 - 2,6 7 - 3	7 de notice 512	24 24 24 24 24 24 24 24 24 24 24 24 24 2	T RAT One contin - 5,4 - 51,4 - 51,4 - 52,4 - 121,1 - 73,1 - 71,2 - 21,2 - 21,2 - 21,2 - 3, others to	Three months 514 - 52 614 - 514 614 - 516 614 - 517 614 - 517 614 - 517 614 - 517 614 - 517 614 - 517 614 - 517 614 - 517 614 - 517 614 - 517 614 - 517 614 - 517 614 - 517 614 - 517 614 - 517 614 614 614 614 614 614 614 614 614 614	54, 54, 54, 54, 54, 54, 44, 45, 42, 44, 54, 54, 54, 54, 54, 54, 54, 54, 54	50x xrities - 55½	One year - 55; - 55; - 55; - 55; - 55; - 55; - 55; - 57; - 57; - 75; - 75; - 75; - 75; - 25; - 5
Beigien Franc Danish Krone Datesh Krone Datesh Guilder French Franc Portuguese Es Spanish Peset Sterling Swates Franc Cen, Doller Roller Uni Yen Asten 4Sing Short term sate	54; 64; 55; 64; 64; 65; 66; 67; 67; 67; 67; 67; 67; 67; 67; 67	Short MATTI - 5.6 - 5.1 - 5.	7 de notic 512	PALES (MAA) 54 54 64 65 55 55 55 55 55 55 55 55 55 55 55 55	T RATONE (1975) - 5,4 (-5,4)(-5,4 (-5,4 (-5,4)(-5,4 (-5,4)(-5,4 (-5,4)(-5,4 (-5,4)(-5,4 (-5,4)(-5,4 (-5,4)(-5,4 (-5,4)(-5,4 (-5,4)(-5,4 (-5,4)(-5,4 (-5,4)(-5,4 (-5,4)(-5,4)(-5,4 (-5,4)(-5,4)(-5,4)(-5,4 (-5,4)(Three months 554 - 5564 - 5514	54 54 54 54 54 66 66 66 66 66 66 66 66 66 66 66 66 66	Six raths - 5% - 5% - 5% - 5% - 10% 1 - 7% - 6% - 4% - 2% - 2% - 3 dd rate at the same at the voice at the vo	Cone Year 54 - 55 65 6- 56 65 6- 56 65 6- 56 65 6- 56 65 6-

-0.05 -0.09 -0.05 95.23 94.59 94.10

95,22

Jun Sap Dec	1.5136 1.5090	1,5076 1,5040 1,5030	-0.0060 -0.0066	1.5148		8,903 106 22	48,057 1,170 47
	9.9.		5 8 2		4 4		14-110
. 73070	E WONTH B	UROWARK	FUTURE	& (LIFFE)	OM1m pol	nts of 100%	4
	Open	Sett price	Churse	High	Low	Est. voi	Open int
Jun	94.91	94.88	-0.03	94.92	94.87	27689	211964
Bep	95.04	95.05	-	95.05	95.02	28017	158519
Dec	95.00	84.97	-0.03	95.00	94.95	27797	177153
Agr	94.92	94.90	-0.05	94,93	94.88	18090	189354
THE	E MONTH B	URCLEA I	HT.RATE	FUTUR	CO (LIPTE) L	1000m poin	
	Open	Sett price	Change	High	LOW	Est. voi	Open Int.
lun,	92.33	92.27	-0.06	92.33	92.25	3383	44828
Sep	92.35	92.37	-0.02	92.30	92.34	2005	27508
Dec Aer	92.25	92.27 92.06	-0.03 -0.04	92,30	92.24	2032 819	31869 11465
	E MONTH S						
JIMA							
	Open	Sett price	Change	High	LOW	Est. vol	Open int.
kan Sép	96.13 96.12	96.10 96.11	-0.05 -0.05	96.14	96.09 96.10	2518 844	23580 11023
ep Jec	96.03	96.04	-0.03	96.04	96.01	555	4718
Aer	95.84	95.82	-0.03	95.84	95.82	31	841
THE	MONTH &	CU FUTUR	S (LFFE	Eculon	points of 10	0%_	
	Open	Sett price	Change	High	LOW	Est. voi	Open Inc.
	84.27	94.32	+0.04	64.53	84.27	943	11941
lum					94.39	473	11966
iop .	24.39	94.42	+0.03	84.43		410	
ier Dec	94.39 94,36	94,42	+0.01	94,36	94.36	253	7035
Jun Sep Dec Mer LIFFE ful	24.39	94.42 94.37 94.21		94.43 94.36 94.22			7036 2634
Sop Dec Mer LIFFE ful	94.39 94.36 94.19 times tradied on	94.42 94.37 94.21 APT	+0.01 +0.01	94.36 94.22	94.36 94.19	283 221	7085 2634
Sep Dec Mer LIFFE MA	94.39 94.36 94.19 tunes traded on E NICHTH EX Open	94.42 94.37 94.21 APT #RODGULA	+0.01 +0.01 MR (IMM) S Change	94.28 94.22 itm point	94.36 94.19 a of 100%	253 221 Est. vol	7035 2634 Open Int.
Sop Dac Mar LIFFE NA I THINE Nan	94.39 94.36 94.19 times traded of E MICHITH ED Open 95.24	94.42 94.37 94.21 APT PRODOLLA Latest 95.23	+0.01 +0.01 UR (IMM) S Charge -0.01	94.28 94.22 itm point High 95.24	94.36 94.19 s of 100% Low 96.21	253 221 Est. vol 36,825	7035 2634 Open Int. 418,477
Sap Dec Mar LIFFE to II THIRE LIF Sap	94.39 94.36 94.19 tunes traded on E NICHTH EX Open	94.42 94.37 94.21 APT #RODGULA	+0.01 +0.01 MR (IMM) S Change	94.28 94.22 itm point	94.36 94.19 a of 100%	253 221 Est. vol	7035 2634 Open Int.
Sep Dec Mar LIFFE RA I THERE Jun Sep Dec	94.39 94.36 94.19 turns traded of E NECHTH EX Open 95.24 94.80	94.42 94.37 94.21 APT BRODOLLA Latest 95.23 94.59 94.10	+0.01 +0.01 UR (MM) \$ Charge -0.01 -0.02 -0.01	94.28 84.22 High 95.24 94.61 94.11	94.38 94.19 94.19 Low 96.21 94.57 94.07	263 221 Est. vol 36,825 74,894	7036 2634 Open Int. 418,477 391,588
Septone Mer LIFFE to LIFFE to Septone	94.39 94.36 94.19 turns (redisc) or E NICHTH ET Open 95.24 94.60 94.11	94.42 94.37 94.21 APT BRODOLLA Latest 95.23 94.59 94.10	+0.01 +0.01 UR (MM) \$ Charge -0.01 -0.02 -0.01	94.28 84.22 High 95.24 94.61 94.11	94.38 94.19 94.19 Low 96.21 94.57 94.07	263 221 Est. vol 36,825 74,894	7036 2634 Open Int. 418,477 391,588
eplec for LIFFE to THERE tup tep tep	94.39 94.36 94.19 times traded on E MICHTH ET Open 95.24 94.80 94.11 MEASURY BR 95.65 95.09	94.42 94.37 94.21 APT ERODOLLA ERODOLLA 95.23 94.59 94.10 L PUTURO 95.65 95.09	+0.01 +0.01 SR (MMA) \$ Charge -0.01 -0.02 -0.01 \$5 (MMA) \$	94.26 94.22 frim point High 95.24 94.61 94.11 frim per 1	94.39 94.19 94.19 5 of 100% Low 96.21 94.57 94.07	Est. vol. 35,825 74,594 75,536	7036 2634 Open int. 418,477 381,688 353,035
lap Dec Mar LIFFE RA	94.39 94.36 94.19 turns (redist) or E MCNTH ET Open 95.24 94.60 94.11	94.42 94.37 94.21 APT ERODOLLA Latest 95.23 94.59 94.10 L Patruss 85.66	+0.01 +0.01 UR ((MM)) \$ -0.01 -0.02 -0.07	94.36 94.22 firm point High 95.24 94.51 94.11	94.38 94.19 94.19 Low 96.21 94.57 94.07	253 221 Est. vol 36,825 74,894 75,536	7035 2634 Open int. 418,477 391,688 353,035
in the second	94.39 94.36 94.19 times traded on E MICHTH ET Open 95.24 94.80 94.11 MEASURY BR 95.65 95.09	94.42 94.21 94.21 APT BRODGLLA Latest 95.23 94.10 P4.10 L PUTURN 95.65 95.03 94.69	+0.01 +0.01 -0.01 -0.02 -0.07 -0.02 -0.02 -0.02 -0.02	94.26 94.22 frim point High 95.24 94.61 94.11 frim per 1	94.39 94.19 94.19 5 of 100% Low 96.21 94.57 94.07	Est. vol. 35,825 74,594 75,536	7036 2634 Open int. 418,477 381,688 353,035
Sep Dec Mar LIFFE to THE Sep Dec Mar Tell's	94.39 94.36 94.19 turns tradied on E BIGSITH ET Open 95.24 94.80 94.11 BLASURY BR 95.65 95.09 94.66	94.42 94.21 94.21 APT PRODULA 1. Litest 95.23 94.50 94.10 1. PUTURU 95.65 95.03 94.99	+0.01 +0.01 -0.02 -0.02 -0.02 -0.02 -0.02 -0.02 -0.02	94.36 94.22 Firm point High 95.24 94.61 94.11 S6.65 95.09 94.69	94.38 94.19 94.19 Low 96.57 94.97 96.53 95.07 94.68	Est. vol. 35,825 74,594 75,536	7036 2634 Open int. 418,477 381,688 353,035
Sep Jac Strike	94.39 94.36 94.19 turos (redict or	94.42 94.21 94.21 APT PRODULA 1. Litest 95.23 94.50 94.10 1. PUTURU 95.65 95.03 94.99	+0.01 +0.01 +0.01 SR (MM) \$ -0.02 -0.01 SS (MM) \$ -0.02 -0.02	94.36 94.22 Firm point High 95.24 94.61 94.11 S6.65 95.09 94.69	94.38 94.19 94.19 Low 96.57 94.97 96.53 95.07 94.68	Est. vol. 35,825 74,594 75,536	7036 2634 Open int. 418,477 381,688 353,035
Sep Jac Strike	94.39 94.36 94.19 turos (redict or	94.42 94.21 94.21 APT PRODULA Latest 95.23 94.50 94.10 L. Furura 95.65 95.03 94.99 94.99	+0.01 +0.01 +0.01 SR (MMA) S Charge -0.02 -0.02 -0.02 -0.02 -0.01	94.36 94.22 Firm point High 95.24 94.61 94.11 S6.65 95.09 94.69	94.38 94.19 94.19 Low 96.57 94.97 96.53 95.07 94.68	253 221 Est. vol 36,825 74,834 75,836 2,257 308 115	7036 2634 Open int. 418,477 381,688 353,035
Sep Dec Mi Open in EUROPE	94.39 94.19 94.19 Market fredhet on Copen 95.24 94.60 94.11 MASURRY BRI 95.05 94.62 Rarett ligt. tre	94.42 94.37 94.21 APT IRODOLLA Latest 95.23 94.50 94.50 94.50 94.50 94.50 94.50 94.50 94.50 94.50 94.50	+0.01 +0.01 +0.01 SR (MM) S Change -0.02 -0.02 -0.02 -0.02 -0.01 fay DM/m pc	94.36 94.22 Firm point High 95.24 94.61 94.61 95.08 94.09	94.38 94.19 Low Low 96.21 94.57 84.07 00%	253 221 Est. vol 35,825 74,894 75,536 2,257 308 115	7036 2634 Open int. 418,478 351,688 553,096 26,885 10,658 5,514
THESE AND THE SECOND STATES OF	94.39 94.36 94.19 times fredict on Open 95.24 94.80 94.11 WASSURRY BRI 95.85 95.09 94.68 Revert light, see ULT 0.17 0.05	94.42 94.37 94.21 APT IRODOLLA IRODOLLA 95.23 94.50 94.10 IFUTURO 85.65 95.09 94.89 for provious of CALL Sept. 0.39 0.20	+0.01 +0.01 +0.01 SR (MM) \$ -0.02 -0.02 -0.02 -0.02 -0.02 -0.02 -0.01	94.36 94.22 Firm point High 95.24 94.11 S6.65 94.69 94.69	94.36 94.19 Low 96.21 94.57 94.07 00% 96.83 95.07 94.68	253 221 251 251 255 24,894 75,836 2257 308 115 208 0.06 0.15	7036 2634 Open int. 418,477 391,638 353,036 26,885 10,656 5,514 Dec 0.17 0.28
THESE	94.39 94.49 94.19 Mars fredhet on E MCSHTH EX Open 95.24 94.80 94.11 MASSHRY EX \$5.65 95.09 94.68 Marsit ligs. are MARK OPTH Jun 0.17 0.05 0.02	94.42 94.37 94.21 APT IRODOLLA 1250K 95.23 94.59 94.10 I PITURE 95.65 95.03 94.99 for provious of CALL Supple 0.39 0.00	+0.01 +0.01 +0.01 ST (MMM) 3 -0.02 -0.01 SS (MMM) 3 -0.02 -0.01 SS (MMM) 3 -0.02 -0.01	94.36 94.22 High 95.24 94.61 94.11 Sim per 1 96.63 94.63	94.36 94.19 5 of 100% Low 96.21 94.57 94.07 00% 98.83 95.07 94.65	253 221 254 255 24,894 75,596 2257 308 115 2257 308 115	7035 2634 Copen int. 418,477 391,658 553,035 10,658 5,514 Dec 0.17 0.28 0.44
THERE IN THE IN T	94.39 94.36 94.19 times fredict on Open 95.24 94.80 94.11 WASSURRY BRI 95.85 95.09 94.68 Revert light, see ULT 0.17 0.05	94.42 94.37 94.21 APT RRODGILLA REGORGILLA 85.23 94.50 94.10 L FUTUPO 85.66 94.89 10 10 10 10 10 10 10 10 10 10 10 10 10	+0.01 +0.01 +0.01 SR (MM) S -0.02 -0.02 -0.02 -0.02 -0.02 -0.02 -0.01 DM/m pc	94.36 94.22 htm points 95.24 94.61 94.61 95.66 94.63 94.63	94.28 94.19 Low 96.21 94.57 94.67 96.83 95.07 94.68	253 221 35,825 74,894 75,596 2,257 308 115	7035 2634 Copen int. 418,477 391,658 553,035 10,658 5,514 Dec 0.17 0.28 0.44
Committee of the commit	94.39 94.36 94.19 1000 (redict or	94.42 94.37 94.21 APT IRODOLLA 1	+0.01 +0.01 +0.01 SE (MMA) \$ -0.02 -0.01 -0.02 -0.01 SE (MMA) \$ -0.02 -0.01 SE (MMA) \$ -0.02 -0.01	94.36 94.22 Firm point High 95.24 94.61 94.61 96.65 96.09 94.63	94.38 94.19 94.19 Low 96.57 94.67 96.83 95.07 94.68 00% Jun 0.03 0.18 0.38 0.18 0.38 points of 10	253 221 25,825 74,834 75,836 2,257 308 115 PUTS — Sep 0.06 0.15 0.29 11 Puts 1224 27	7036 2634 Open int. 418,477 391,638 353,036 26,885 10,658 5,514 Dec 0.17 0.28 0.44
Copy of the second of the seco	94.39 94.36 94.19 1000 frederic or Copon 95.24 94.60 94.11 95.65 95.09 94.62 Tarrett ligt. tre Jun 0.17 0.05 0.02 SMISS FRAN	94.42 94.37 94.21 APT IRODOLLA IRODOLLA 95.23 94.50	+0.01 +0.01 +0.01 SR (MM) \$ -0.02 -0.02 -0.02 -0.02 -0.02 -0.01 SB (MM) \$ -0.02 -0.01 SB (MM) \$ -0.02 -0.01	94.36 94.22 Firm point High 95.24 94.11 Sic.65 95.09 94.63 Sic.65 94.63	94.38 94.19 Low 96.21 94.57 94.07 00% \$6.83 95.07 94.68 0.03 0.16 0.38 Cate 22570 Jun	253 221 251 251 251 257 308 115 2257 308 115 2257 308 115 2257 308 115 2257 308 115 2257 308 115	7036 2634 Open int. 418,477 391,698 353,036 26,885 10,656 5,514 Dec 0.17 0.28 0.44
Page 1 Tables for the same of	94.39 94.36 94.19 1000 (redict or	94.42 94.37 94.21 APT IRRODOLLA 12:000 95.23 94.59 94.10 I. Putrusi 95.65 95.09 94.99 for provious of CALL Sep 0.09 Puts 3020, Put	+0.01 +0.01 +0.01 SE (MMA) \$ -0.02 -0.01 -0.02 -0.01 SE (MMA) \$ -0.02 -0.01 SE (MMA) \$ -0.02 -0.01	94.36 94.22 Firm point High 95.24 94.11 Sic.65 95.09 94.63 Sic.65 94.63	94.38 94.19 94.19 Low 96.57 94.67 96.83 95.07 94.68 00% Jun 0.03 0.18 0.38 0.18 0.38 points of 10	253 221 35,825 74,934 75,536 115 22,257 308 115 PUTS — Sep 0.08 0.15 0.29 11 Puts 1225 0.79 12 Puts — Sep 0.01	7035 2634 Open int. 418,477 391,638 353,035 10,658 5,514 Dec 0.17 0.28 0.44 5
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Temple Court Mortgages (No. 1) PLC

£175,000,000

Mortgage Backed Floating Rate Notes 2029

The rate of interest for the period 29th April, 1994 to 29th July, 1994 has been fixed at 5.50 per cent. per annum. Coupon No. 18 will therefore be payable on 29th July, 1994 at £137.12 per coupon.

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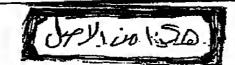
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THE TRADE SHOW FOR BETTER BUSINESS.

Raumfahrtaasstellaag 28. Mai bis 5. Juni 1994 in Berlin-Brandenbarg

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news of Kodak restructuring

Wall Street

US stocks were mixed yesterday morning, as news of Kodak'e restructuring and a second big healthcare acquisidrug subsidiary. tion provided e diversion from lingering concerns over interest rates, writes Frank McCaurty in New York.

By 1 pm, the Dow Jones industrial Average was 4.16 lower at 3,696.86, while the more broadly based Standard & Poor's 500 dipped 0.91 to 452.11 in thin trading.

In the secondary markets. the American SE composite was 1.24 better at 441.44, but the Nasdaq composite eased 2.39 to 738.29.

Stocks meandered in a narrow range on either side of their opening levels during the morning.

The day's only fresh economic news - the leading indicators for March - cams in a little higher than expected, but not enough to encourage any sustained buying and selling

The Commerce Department said the index, designed to predict future economic trends, climbed 0.7 per cent, against the Wall Street consensus forecast of 0.6 per cent. The Fehruary reading was revised to unchanged, from a 0.1 per cent

Developments in the bond market were not encouraging. as the 30-year benchmark government issue slipped again. But trading was thin, with many accounts remaining on the sidelines ahead Friday's employment data for April, a keenly awaited harometer of economic etrength and inflationary pressures. The overall mood m bonds

and stocks was subdued, with the Federal Reserve's next move to lift rates expected

some cheer to what could have been a rather dull market. The stock climbed \$2% to \$46% after announcing that it would sell-off three non-core businesses, including its Sterling

It was the second consecutive session driven by news of takeovers in the pharmaceuticals sector. On Monday, Roche Holding agreed to pay \$5.3bn for struggling Syntax, sending the latter's share price up sharoly.

Winthrop over-the-counter

Yesterday, United Healthcare, one of the country's blggest heelth maintenance organisations, agreed to sell its drug-distribution husinese to SmithKline Beecham for \$2.3bn in cash. The announcement pushed United Healthcare's stock \$3 higher to \$47%, while SmithKline ADRs added \$% to

Syntex led the NYSE's most active list, but it was trading

just \$1% lower at \$23%. Elsewbere, Value Health jumped \$31/4 to \$441/4 after entering into an egreement with Pfizer to dsvelop disease management programmes and pursue other projects. Pfizer

was unchanged at \$61%. On the Nasdaq, technology stocks slipped following the previous session's upturn. Wellfleet lost \$3\% to \$74\%. Microsoft shed \$1% to \$93% and Lotus Development dropped \$21/4 to \$63%.

Toronto was mixed in quiet midday trading which saw the TSE 300 index edge 0.52 higher to 4.282.85 in volume of 32.24m shares. Seven of Toronto's 14 sub-indices were stronger, led by the pipelines group which rose 28.02 to 4,070.14. Weak groups included gold and silver, down 68.16 to 9,301.28, and communications and media Kodak, bowever, brought which lost 13.32 to 9,223.51.

Caracas recovers 6.8%

Venezuela

Shares on the Caracas stock exchange climbed strongly after the central bank said that it was to hold an auction of dollars in an attempt to ease pressure on the bolivar. The Merinvest composite

112.39, recovering all of Monday's losses. Electricidad de Caracas put on 34.50 bolivars to 310 bolivars. The currency bas been under

pressure since the resignation last week of the central bank president, Mrs Ruth de Krivoy. over a disagreement with the government regarding economic policy.

Analysts have maintained that the country's financial markets will remain voletile

until the central bank introduces measures designed to tackle inflation and the budget deficit. The government and central bank tried to calm the markets over the weekend with statements which ruled out immediate currency controls or devaluation.

The stock market was easier in early tradiog after a rise in domestic interest rates at the weekly auction. The IPC index was off 20.54 or 1 per cent at 2,210.19 in volume of 7.6m sbares. Brokers now see short-term technical support et the 2,300 level.

Interest rates on benchmark 28-day treasury bills or Cetes were raised by 24 basis points to 16.49 per cent.

Profit-taking in S.Africa

Equities were hit by a wave of profit-taking following impressive gains in the days leading up to last week's general election. The overall index lost 71 or 1.3 per cent to 5,291, industrials shed 31 to 6,384 and the gold index, lacking support from a flat bullion price, fell 64 or 3.2 per cent to 1,935.

• The Johannesburg stock exchange yesterday announced proposals for an "evolutionary", rather than "Big Bang"

approach towards deregulation, and also said that it wished to enhance its role for international investors.

it added that foreign citizens should be allowed to become members provided certain criteria were met. A foreign corporation which obtained membership on the exchange would need to obtain local registration as an external company so that it would he subject to local court jurisdiction.

hnrg higher last week, continuing a rising trend seen this year as US funds have begun to flow into the market. Analysts expect e measure

South Africa

WORLD INDEX

Beerd on April 29th 1964. CatWest Securities Limited.

The euphoria surrounding as investors assess the new South Africa's first all race elections propelled Johannes-

In the medium term, good economic growth prospects and a view that the ANC will want to co-operate with bustness should prove positivefor of hesitancy in coming months the stock market.

FT-ACTUARIES WORLD INDICES Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the institute of Actuaries and the Faculty of Actuaries

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Australia (69)	.32 -1.1	161.41	106.36	141.83	154.44	-0.9	3.55	167.10	163.39	107.20	143.95	155.78	189.15	130.19	137.50
Austria (17) 181		177.57	117.01	156.03	155.87	1.1	1.00	179,65	175,66	115.25	154.76	154.11	195,41	139.63	142.10
Beiglum (42)	1.02 0.3	169,90		149.25	145.93	0.0	3.75	173.48	189.62	111.29	149.44	145.93	174.02	141,92	148.52
Canada (106)		127.12	83.76	111.70	130.25	0,3	2.59	129.83	126,94	83.29	111.84	129.87	145.31	121.48	127.88
Denmark (32)		258.21	170.80	227.75	233.30	-0.8	1.02	265.96	260.05	170.82	229.11	235.17	275.78	207.58	214,22
Finland (22)154		150.41	99.11	132.16		0.0	0.87	152.96	149.56	98.12	131.77	172.36	156.72	85.54	97.34
France (98)			115.16	153.56		0.8	2.60	176.72		113.57	152,24		185.37	149.60	161.81
Germany (58) 147			94.62	126.17	126.17	1.2	1.63	144.78	141.56	82.68	124,72	124.72	147.07	107.59	113.21
Hong Kong (56)360				309.01	357.24	-1.7	2.98	386.60		235.18	315.82	363,57	606.56	271.42	275.50
keland (14)19				166.49		0.0	3.26	193.15	188.86	123.91	166.39	184.73	209.33	155.93	162.90
Italy (60) 90			61.78	62.38		0.0	1.52	95.91	93.78	81.53	82.62	113.85	96.03	57.88	67.12
Japan (469)156			100.62	134, 18	100.52	-0.5	0.80	157.63	154.32	101.25	135.97	101.25	185.91	124,54	145.46
Malaysia (96)486			314.11	418.86		0.0	1.35	487.65	477.11	313.03	420.36	503.46	621.63	312.51	321.79
Mexico (18) 2005				1720.08	7157.68	-1,8	0.70	2035.33	1990.06	1305.66	1753.33	7276.80	2647.08	1431.17	1494.55
Netherland (26)204		199.29	181,31	175.11	172.48	-0.5	3.26	204.25	199.71	131.03	175.95	173.35	207,43	183.30	167.19
New Zesland (14)8			42.57	56.76		-0.8	3.92	66.60	65,12	42.72	57.37	61,34	77.59	46.43	48.53
Norway (23) 194		189.81	125.07	166.77	188.70	-1.5	1.76	198.36	191,99	125.96	169.15	191,59	206.42	150.61	153.71
Singapore (44)34;				297.81	248.70	0.0	1.62	347.08	339.34	222.84	298,98	248.70	378.92	238,62	243.45
South Atrica (59)27:	i.09 0.2	268.58	176.97	235.99	277.18	-0.1	2.23	274.45	268.35	175.06	236,43	277.44	280.26	175,93	185.31
Spain (42) 144			92.65	123.55	147.10	-0.8	4.05	144.95	141.73	82.98	124.87	148.24	165,78	116.33	131.71
Sweden (36)220	1.8	220.98	145.61	194,17	254.95	1.3	1.56	222.32	217,38	142.62	181.53	251.76	230.02	183.85	171.97
Switzerland (48)13		158.06		138.88	140.75	1.1	1.89	159.53	155.98	102.34	137.43	139.20	178.56	120.01	120,01
Umited Kingdom (205)		190.47	125.51	167.36	190.47	0.0	3,86	194,81	190.47	124.97	167,62	190.47	214.98	170.32	179,19
USA (519)18	1.72 0.5	180.35	118.84	158.46	184.72	0.5	2.88	183.76	179.87	117.88	158.30	183.76	196.04	178.85	179.68
EUROPE (728) 175	3.30 0.8	169.20	111.49	148.87	181.38	0.3	2.86	172.20	168.37	110.47	148.34	180.84	178.58	147.58	146.49
Nordic (113)216			139.18	185.60		0.4	1,35	214.19	209.43	137.40	184.51	212.43	220.80	155.82	163.84
Pacific Basin (750)	.35 -0.9			140.99		-0.7	1.09	165.85		106.40	142.85		168.80	134.79	148.93
Euro-Pacific (1473)167			108.03	144.05		-0.2	1.95	188.34	164,59	107.89	145.02		170.76	141.98	147.81
North America (825)18		177.05	116.66	156 56	160.95	0.5	2.88	180.41	178.40	115.73	155.42		192.73	175.67	176,45
Europe Ex. UK (518) 15	.47 0.9		101.30	135.06		0.5	2.28	158.01	152.54	100.08	134.40		157.47	122.37	126.33
Pacific Ex. Japan (281)24;				208.27	221.85	-0.S	2.69	245.12		157.24	211.18		296.21		
World Ex. US (1656)16			108.74	145.00		-0.2	1.66	169.44	165.67	108.69	145.98			181.48	183.37
World Ex. UK (1970) 171			110.08	146.76		0.0	2.04	171.09	167.25	109.75	147.38		172.51	142.94	148.33
World Ex. So. AL (2116)			111.04	148.07	148.63	0.0	2.22	172.56		110.70	148.86		175.58	153.22	155.79
World Ex. Jepen (1708)			118.48	157.99		0.3	2.82	183.40		117.65	157.99		176.55	155.00	157.76
sterior ex polyar (11 and 10.	0.7	11000	110.40	IQF.#3	17027	U-O	242	160.40	178.32	117.05	131.88	111.14	195.20	165,70	186.27
The World Index (2175) 17:	1.22 ` 0.0	169.13	111.44	148.60	149.60	0.0	2.22	173.18	169.33	111.10	149.19	149.58	178,97	155.17	157.85
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US mixed on DSM up 3.3% as Amsterdam defies downtrend

Weakness in most senior 2,252.29, and while it recovered bourses was offset by an intramore than 9 points in the post day peak in Brussels, and a further rise in Stockholm, writes Our Markets Staff.

AMSTERDAM had some hopes of the general election, which was expected to result in a change of government, but most investors concentrated on results from DSM which exceeded all expectations. The chemical group's shares saw an all-time high of Fl 148 during the session before closing up F14.70, or 3.3 per cent at

The AEX index improved 2.67 to 416.39. Attention turned to Philips, the electronics group, up Fl 1.60 to Fl 57.00 and due to announce its first quarter results today. Analysts were confidently expecting a strong rise in profits, helped by efforts to bring down the group's debt level; Hoare Covett estimated a 52 per cent

rise in earnings per share.
FRANKFURT was unsettled by volatility in the bond market, and pulled back from Monday's highs by mounting con-

cern about the impact of the weak dollar on exporters. The Dax index fell 16.36 to

bourse, there were fears that currency worries could weigh heavily again today. Turnover rose from DM7.9bn to DM9.6bn.

On the session, exporters lost ground and sectors associated with the domestic economy, like utilities and construction, moved up instead. In chemicals, Hoechst led the way down with a fall of DM6 to DM354. Daimler dropped DM14.50 to DM897.50.

Ms Heidemarie Höppner, at B Metzler, said that worries about export pricing were rife. "Not many industrialists are thought to have hedged their dollar positions," she said. "and there could be some nasty surprises, especially if the situation gets Worse." Meanwhile, Lufthansa rose

DM5.80 to DM219.80; after hours the government called a news conference for today, on the long awaited privatisation of the flagship airline. PARIS concentrated most of

the day's activity on Elf Sanofi. following news that It might acquire Eastman Kodak's stake in Sterling Winthrop, as well as develop its pharmaceuticals FT-SE Actuaries Share Indices Open 10.30 11.00 12.00 13.00 14.00 15.00 Glose Housey changes FT-SE Eurotrack 100 1496-31 1496-37 1496-35 1495-99 1496-99 1496-35 14 Apr 29 Apr 28 10x 27 Apr 25 Apr 25

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strategy with further acquisi- \$5.3bn bid for Syntex, the US tions. Sanofi lost FFr43 to FFr975, off a session low of

The CAC-40 index eased 7.24 to 2,178.99 in low turnover of FFr2.8bn

By contrast Psugeot rose FF17 to FF1915, helped by data which confirmed a rise in April car sales.

Lafarge Coppée, the building materials company, put on FFr6.00 to FFr462.50 as it confirmed that it was selling its 61 per cent stake in Orsan, a bio-

technology group, to
Tate & Lyle of the UK.

ZURICH came under
renewed foreign selling pressure, the SMI index falling 9.3

Roche certificates fell SFr30 to SFr6.690 in response to its

drugs group. Analysts, who noted that the bearers rose SFr230 to a year's high of SPr13,000, commented that much of the day's buying of both issues was by one private Zurich bank.

1464.12

Mr Mirko Sangiorgio at Bank Julius Baer said that the impact of the deal on Roche's future financial income was unclear. He commented that in the short term, Roche appeared to have paid a high price in view of uncertainties about the value of Syntex's new product range. But in the three- to fiveyear term, the impact of Roche's distribution network and its management's contribution to Syntex's business made the deal look more posi-

sure with UBS bearers down SFr24 at a year's low of SFr1,156. The bank said it planned to launch an ADR programme during the summer in response to growing foreign demand. MILAN was weak, the Mibtel

Banks remained under pres-

index falling 76 to 12,693. Goldman Sachs, however, maintained that a combination of earnings momentum, strong retail inflows, further rate cuts and the possibility of equityfriendly policy surprises should boost the market over the next year.

Fondiaria rose L1,031 or 6.8 er cent to L16,248 on speculation that Mediobanca might use some of the cash from its forthcoming rights issue to raise its stake. Mediobanca fell L1,072 to L17,697. Montedison fell L26 to L1,545

and Ferruzzi lost L72 to L2,323 in response to their announcements of heavier than expected

MADRID read more threats of politically sensitive disclosures from the former civil guard chief, incorporated the osses racked up by the Ibex index on other exchanges on

holiday with a fall of 24 per cent, the general index closing 7.87 lower at 317.85.

100

Once again, speculation overrode caution in the case of-Banesto, which hit Ptal 435 before closing at Ptal,280, un

another Pta30 on the day. BRUSSELS. brisfly, broke through its all time high the Bel-20 index touching 1544 17 before it closed 17.40, or 1.1 per cent higher at 1,539.40.

Interest rate sensitive stocks, which have lagged behind the market, were among the biggest gainers. The utility, Electrabel, climbed BFr120 to BFT6.320.

STOCKHOLM recovered after a shaky opening as debt market yields eased late in the session and the market built expectations of strong corporate earnings to come. The Affarsvärlden index rose to 15.9 to 1.515.8.

Astra A shares added SKr5 to SKr165 while Electrolux B rose SKr15 to a year's high of SKr423.

Written and edited by William Cochrene, John Pitt and Michael

ASIA PACIFIC

Bombay falls sharply as VSNL withdraws \$1bn issue BOMBAY fell sharply follow-

treding in the region yesterday, while Tokyo was closed for the Golden Week holiday. It reopens on Friday.

Following the charp correction in many of the region's markets during the first quar-Kleinwort Benson suggested that the worst appeared to be over.

in their latest global strategy report the investment bankers argued that while the rest of the year would not be easy. valuations had come down to historically more acceptable levels".

They continued: "With a strengthening OECD recovery at their back, the Asian markets can expect more upward earnings revisions over the next 12 to 24 months.

region's markets worth buying,

both being helped by export

Kleinworts selected Malaysia and Thailand as two of the

Euroissue by VSNL, the country'e overseas telecommunication group. The BSE index lost 47.21 to 3,673.51, with VSNL down Rs220 at Rs1,100. The Euroissue of GDRs was

ing the withdrawal of a Sibn

to have been priced yesterday, with indications of e range between Rs1,400 and Rs1,600 per share. Brokers commented that the withdrawal would probably curtail similar issues which had been planned by a number of other smaller Indian companies. HONG KONG fell 1.4 per cent, as a lack of demand cou-

tinued to plague the market and any rebound was thought unlikely before the Japanese holiday was over. The Hang Seng index fell 120.57 to 8,679.13, having been as much as 220 points lower in

the afternoon before technical

% change | % change shartley † In UE \$ †

-2.88

47.58

+24.18

+38.83

+2.58

+8.31 +4.02

+13.21

-0.38 -4.99

-25.06

+21.29

-17.51

-1.83

-4.39

-3.24

-14.78

+2.73

+3.58

-5.24

44.98

+21.15

+36,45

+0.10

+6.66

+1.50

+10.47

-2.80

-7.30

-0.92

-2.29

-26.90

+18.34

-19.51

-4.31

-7.86

-8.71

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-7.46

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-5.59 -7.30 -2.56

-4.73

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-17.97

-4.84

-8.74

-0.25

-3.24 -10.26

+10.75

-0.19

+15.11

MARKETS IN PERSPECTIVE

+32.86

+22.11

+31.92

+57.02

+49.37 +27.28

+28.83 +28.65

+35.84

+31.04

+13.55

+32.18

+61.26 +27.45

+11.13

+43.15

+47.91

+8.61

-2.06

+3.61

-0.42

+5.89

+3.33

+7.88

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+1.27

+2.58

-2.18

+2.22

+9.15

+3.23

+12.93

-0.47

+1.17

-3.40

+10.79

+1.95

+0.16

+1.45

+2.98 -1.45 -0.47 +1.89

-1.65 -0.24

-2.07 -0.79

+0.90

+2.51

+0.74

+7.17

+0.30

+10.12

Property stocks remained der pressure. SHK Properties fell 75 cents to HK\$44.25 while Henderson Land was 50 cents down at HK\$37.25.

AUSTRALIA lost a little ground but activity was described as lacking direction in the absence of both the UK and Japanese markets. The All Ordinaries index closed 3.7 lower at 2,044.2 in turnover of

In the media sector, News Corp shed 9 cents to A\$9.49 ahead of its release of earnings today.

BHP lost 2 cents to A\$16.90, although brokers commented thet investors were generally nnperturbed by reports that the group is to be sued for A\$4bn by villagers in Papua New Guinea who have alleged that the Ok Tedi river has been polluted by the company. KUALA LUMPUR WAS

broadly lower, although shares of Golden Pharos were in Corp went limit up, gaining tors, although overall senti-

takeover and asset injection. The composite index closed down 12.48 at 1.042.02

Golden Pharos rose 70 cents to M\$9.65. A major shareholder sold its stake in the company last week, sparking speculation that a state government agency was the purchaser and planned to inject capital.

SEOUL edged lower in spite of some institutional buying interest in a number of blue chips. The composite index eased 1.71 to 917.55.

Most Hyundai group shares went up on the news that the founder, Chung Ju-yung, had decided to leave the husiness for good. Many investors believed that this would help to ease relationships between the group and government, and that it could result in a resumption of financing.

Both Hyundai Engineering and Construction and Hyundal Won1,600 and Won1,000 to ment remained cautious. Won41,600 and Won25,900 respectively.

Samsung Electronics gained Won2,500 to Won85,500 and Goldetar Won1,000 to Won26,700 after their financial statements detailed better than expected profits. MANILA saw heavy foreign

buying which drove prices 1.8 per cent higher. The composite index rose 52.49 to 2,937.93, the first time

since February that the index has peaked above 2,900. Volume soared to 2.53bn shares from 1.12bn. PLDT led gainers, closing 80 pesos higher at 1,850 pesos. San Miguel A shares gained

another 2 pesos to 178 pesos as

it announced that it had won

permission to sell or redevelop its Hong Kong brewery. SINGAPORE was boosted by demand for a number of blue chips from institutional inves-

The Straits Times Industrials index advanced 14.37 to 2.310.56.

KARACHI was stronger on the last day of the account, with the KSE index adding 6.11 to 2,384.96, supported by buying of blue chips.

easier with only Fletcher Challenge, among leading shares, reversing the trend with a gain of 4 cents to NZ\$3.40. The NZSE-40 capital index

NEW ZEALAND was slightly

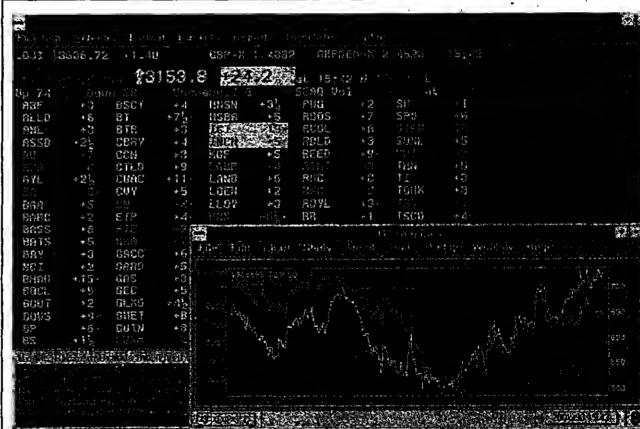
shed 10.56 to 2,085.58. Turnover was NZ\$31.2m. COLOMBO sustained its secand successive record decline. on political and economic uncertainty, the all share

index losing 48.24 to 1,002.61 for

i≡k.

200

a two-day loss of 8.7 per cent.



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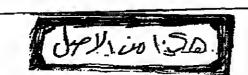
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CKRULM

2

RESTRUCTURING OF EASTERN GERMANY

Wednesday May 4 1994

s German unification approaches its fourth anniversary, the scope of the changes undergone by the people of the former German Democratic Republic is becom-

ing increasingly apparent.

There are the changes apparent to west Germans and to visitors as well as less noticeable but more deep seated social effects. The infrastructure is improving before one's eyes, and western-style retailing and services - department stores, pharmacies, petrol sta-tions and bakeries - have spread across the land.

No less dramatic but less obvious is the social impact on the 16m people, former citizens of the German Democratic Republic, who now find themselves attached to the most prosperous democracy in Europe. Because of the swift-ness of the changes - ranging from the switch to the Deutsche Mark and privatisation to the arrival of large scale unemployment - east Germans have had little time to adjust and few opportunities to influence the changes. The initial euroboria of unification has given way to discrientation.

The independent citizens' committees, which grew up in East Germany during and in the wake of the peaceful revolution of autumn 1989, had hoped for greater consultation. particularly over the constitu-tional way in which the unification would take place.

There were two options. There was Article 146 of the west German Basic Law which provided that, in the case of unification, a new constitution would be framed and submitted to a popular vote. There was also Article 23, under which the former German Democratic Republic would simply be slotted into the existing constitution of the west-German Federal Republic.

The federal government chose to implement Article 23 rather than the more cumbersome Article 146, That meant imposing on eastern Germany. the west German status quo. and the entire complex of

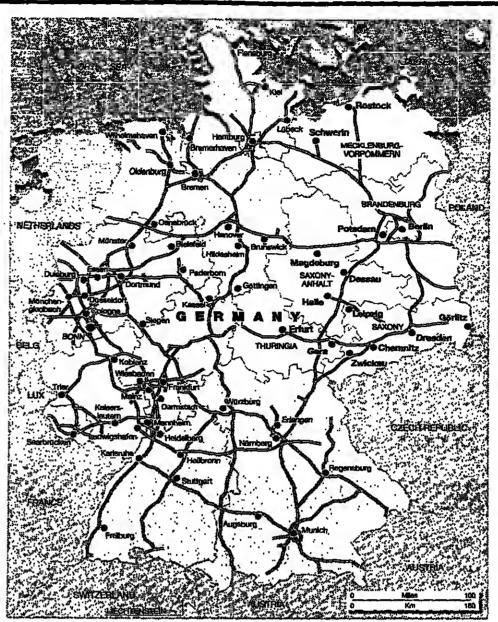
Germany, a delete, beginning class rate had fallen by 62 per the mid-1980s, on the need for cent; And compared with west more de regulation and liberalisation of the economy, was interrupted. East Germans, already familiar with an all-present bureaucracy, had a feeling of being "colonised" by the westerners. This perpen-ated their sense of exclusion. from political decision making and delayed the establishment of a civil society. This sense of exclusion, con-

pled with the start of one of the most radical privatisation programmes undertaken anywhere, traumatised east Ger-man society in two dramatic ways: the birth rate nose dived and people turned in on them-

According to Nicholas Eber







Positive signs - but still a long way to go

There are indications that eastern Germany is slowly emerging from an economic trough, but for the 16m people of the region the initial euphoria of unification has given way to disorientation, reports Judy Dempsey

rary suspension of child-bearing as any large population in the human experience." In Bonn's laws and regulations, 1992, for example, the birth institutions and procedures. 1992, for example, the birth institutions of Garnariy in western Over the same period, the many of delight hearing to the same period, the many of delight hearing to the same period, the many of delight hearing to the same period. delayed the emergence of local political and social elites. Pro-fessor Jürgen Kocka, who teaches modern history at Berlin's Free University, says church membership is falling and east Germans, unlike westerners, are not joining associa-tions or political parties. They have completely withdrawn into themselves. Even the Germany, the likelihood of an east German man aged between 30 and 44 of dying from injuries or suicide is 150 per cent higher than his westintellectual elite is not as ern German counterpart. active as it should be. There is These trends can be a vacuum. I do not know how

stadt, a US demographer,

"eastern". Germany's .adults

have come as close to a tempo-

explained by the sudden prosit is going to be filled." pect of women having no sta-tus in a country where 90 per Western Germany shares some responsibility for this vacuum. Energetic officials. cent of them had a job before unification; and equally the whose promotion prospects prospect of a man having no had slowed down or had been blocked in the west, seized the perspective for the future. East opportunity of moving east-Germany's unemployed. wards to help transfer new political structures to the including people on government job creation, retraining and early retirement schemes. region. At the same time, thourepresent 37 per cent of the sands of east German academics and teachers, managers and working population. trends in turn have scientists, had been sacked

because of their alleged links with the Stasi, or former east German secret police, or because jobs no longer existed. This created an immediate vacnum on the local level. The younger generation has not yet filled that vacuum, partly because the Stasi files remain open, making many people feel suspect; and partly because adapting to the economic upheaval is time consuming.

n spite of these traumatic effects of unification, the government has been able to maintain stability in eastern Germany largely through the massive transfers, which last year totalled DM170bn. Over a third is spent on subsidising consumption in eastern Ger-many, whose collapsed economy last year contributed no more than 9 per cent of the combined country's total Gross Domestic Product.

Yet there are signs that east Germans are slowly reconcil-ing themselves to the new system. The initial spending spree of 1990 and 1991 has given way to habits reminiscent of west German society of the 1960s and the early 1970s.

In 1990, after monetary union, the level of east German households' financial assets was DM20,000 per household After the consumer spending spree, private disposable per capita income in eastern Germany rose by 55.5 per cent between the second half of 1990 and the first half of 1993. In real terms, this represented an increase of 17 per cent. Boosted by west German transfers, the average income over the same period has reached 55 per cent of west German levels. At the same time, the pro-

ensity for east German house holds to save is similar to that of west Germans. According to

the Bundesbank, sayings last year took 13 per cent of their disposable income, compared with 14 per cent in western Germany, and the financial assets in eastern Germany totalled DM190bn, or DM30,000 per household. This represents the average amount reached by west German households in the first half of ther 1970s.

These developments suggest that east Germans, particularly those in work, are protecting themselves against future unemployment, adapting to the market, and west German habits: and are comparatively well off, taking into account the transfers which underpin these assets, and the conditions of former communist countries. These factors reinforce stabil-

But the real test facing the east Germans is at what point their economy will start producing goods which can be com-

Mnch will depend on the level of west German and foreign investment. For the first time since unification, investment per capita in the east exceeded the level in the west. Economists argue that these investment levels will have to be maintained for at least another five years to modernise the infrastructure and create a highly qualified labour force. They add that the more investments are targeted on the highest levels of technology, the greater the chance of higher output and productiv-

petitive on the west German and international market.

The other positive trend is that production has finally risen faster than overall demand after stagnating output had been steadily outstripped by a growth in demand fuelled by transfers from the west since 1990. Industrial orders also show signs of pick-ing up. But industrial produc-tion is still less than 40 per cent of its former level before unification. Recovery is coming from a very low base.

IN THIS SURVEY

backing revolution . PAGE 2 C) End of the sale of the century, plus en inclustrial

I Jobs and high price of national unity, the building hoom; agriculture sector still a collective me property owners struggle with the logacies of filter

Telecoms investment hold projects planned cars and the disappearing

power, a marketing objet-mare; gas privatisation benefits disputedPAGE 8

Any sustained recovery, and a growth in competitiveness will also depend on much Productivity levels are on aver age between 30 per cent and 40 per cent of western levels. while wages are about 80 per cent of those in western Germany, and are set to match western German levels by 1996. This means that labour upit costs in the east are 70 per cent higher than in western Ger-

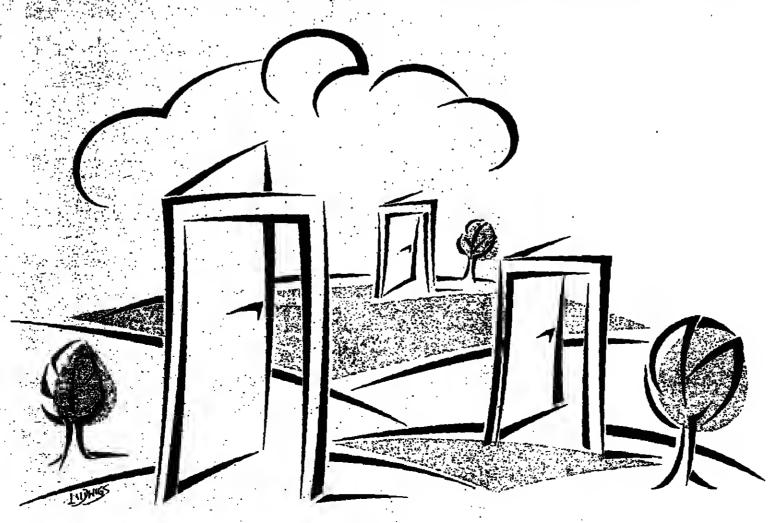
To reach west German productivity levels, the govern-ment might have to tolerate even higher unemployment levels, (or even indirectly subsidise the newly privatised sector through more tax breaks) while continuing to maintain the current levels of transfers to support consumption and the unemployed.

Over time, some of the unemployed might be absorbed by the Handwerk, or small crafts sector, the one area where east Germans are becoming ecocomically engaged. Last year, more than Im people were employed in 138,500 of these businesses, 20 per cent more than the previous year. But none of these treods

indicate that eastern Germany is moving anywhere close to becoming a self-sustaining ecoomy. What they do suggest is that the region is slowly coming out of the trough of the last three years; and that the small emerging entrepreneurial class may in time help foster a new political class in eastern Germany. Then, east Germans might be in a position to contribute to the long overdue political and economic debate in their country. But they will not be in a position to live without transfers for many vears to come.

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A slow climb from the abyss

n two crucial ways, 1993 was a turning point for the east German economy.

For the first time since German unification in October, 1990, and indeed since economic and monetary union on July 1 that year, production rose faster than overall demand in the former Communist territory. Up till then, stagnating output was steadily outstripped by a growth in demand fuelled by transfers from west Germany.

Secondly, and possibly more significant still, investment per capita in the east for the first time exceeded the level in the

Both indicators suggest that at last, after a period of free fall, followed by prolonged stagnation, the east German economy is just beginning the process of catching up on the

wealthy west. The question is, can the process be sustained? And if it can, how long will it take? On the negative side, it is

clear that east Germany is still far from generating the profits it needs to finance its own indigenous investment process: the so-called wage quota - the amount of national income devoted to wages and salaries

is more than 100 per cent.

That means no profits are being generated, and all investment is in effect financed by transfers from the west.

Those transfers held np remarkably well in 1993, but given the depth of the western recession, investment plans for 1994/95 are in some doubt. And just as east German industry is beginning to pick up, the recession is also squeezing consumer spending in its most important market.

The divergence of the two German economies, east and west, was and is enormous. The collapse of the east German economy happened within weeks of monetary union. West German industry moved in rapidly to fill the vacuum. And the fear is that the former Communist state's entire industrial base has been wiped out in the process, leaving the so-called new federal states in danger of becoming an industrial and economic backwater, an eastern Mezzogiorno on the fringes of western Europe.

The recovery of the eastern economy is still in the balance, but for the first time, positive signs of recovery are starting

to multiply.
Mr Udo Ludwig, chief economist at the economic research institute in Halle - the first eastern institute to be set up since unification - sees the glass as half full. "We are in the middle of a recovery process borne by private and public investment," ha says.

They are installing modern productive capacity. It will amount to a real recovery when for the first time eastern products can supply most of eastern needs. And profits have to be hig enough to provide for refinancing. The process will take a generation."

Mr Heinar Flassbeck, the

chief economist at Berlin's economic research institute (DTW), tends to see the glass as half empty. "The catching up pro-cess has started in 1993, but it will be very difficult for east Germany to have a higher growth rate than west Germany over a prolonged period," he says. "At the best, they can expect to grow at the same rate, which means the chance of catching up is called

into question. "It is much easier to make profits in the west than in the

The hard-headed managers at Deutsche Bank have a rule of thumb for the survival prospects of new businesses: they

call it the seveo year rule. "Our investigations show that only after seven years can one say an enterprise is really established," says Mr Udo Vor-

The City of Goerlitz

Berlin

GÖRLITZ Breslau

The two faces of Germany: contrasts in 1988 16.68m Working population. Percentage in manufacturing 50% Percentage in services 36% 21% Unemployment (millions) Labour productivity capita (tera-joules) Motorway network, (kms) Registered private cars (millions) 3.7m Persons transported by air in bn passenger/kms. Net income per household, per month in Ostmark, DM ... 2,083 Living space, sq.km per person Retail sales in bn Ostmark, DM . sa.lan 127 - foodstuffs, %

- other industrial goods, %		35%	57%
		Source:	OW, Berlin
Financial transfers to Ea	ast Germ	nany (Di	vibn)
	1991	1992	1993
A: Transfers to state and			
government	111.6	124.4	128.0
- German Unity Fund	35.0	. 36.4	35.2
- Aufschwung Ost programme	12.0	12.0	-
- Central govt. spending	50.0	69.5	74.3
among federal states	10.8	11.5	12.5
- Transfers by federal states - Flecal losses on tax	20	2.5	3.0
	1.0	2.5	3.0

Manufacturing index

insurance funds:

western industrial heartland of the Ruhr, now transferred to Deutsche Bank's operations in Halle, the east German equivalent.

"We are oowhere near that small businesses are concerned. It is clear that overall something is moving, hut the nervous phase is far from

The evidence of catching nn comes in the latest report by three independent economic research institutes* for the Economics Ministry, on the overall process of adjustment in eastern Germany.

he index of manufacturing production slumped from a level of 100 in the second half of 1990 (already well below the level in the first half) to a low point of 61.8 hy the second quarter of 1992. From the first quarter of 1991 to the same quarter of 1993, it stayed around the same level. Since then it has steadily

recovered: to 67.7 in the second quarter of 1993, 72.7 by the third quarter, and 77.8 by the end of the year.

In the same period, industrial orders have also picked up appreciably: hy the last quarter of 1993 to 91.8 per cent of the level in the second half of 1990. The orders are coming overwhelmingly from the domestic economy, with much less buoyancy in export orders, where eastern enterprises were overwhelmingly dependent on

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- with a wide range of industries, from machine and

vehicle construction to light industry, including

anking center of Lower Silesia branch offices of all major German

with a dense and convenient traffic network including a junction of

(Zittau/Goerlitz), a medical college, a centre of further education for

with unique old town centre and a multitude of historic buildings in

the late Gothic, Renaissance, Baroque, Gruenderzeit and Jugendstil

federal roads, railway services, a planned extension to the A4

with a college of technology, economics and social sciences

electrical engineering/electronics with highly

motorway and the airfield at Rothenburg

crafts and the preservation of historical monum

A Cultural and Education Centre

the east European and former Soviet markets.

132.1

156.2

On the downside, industrial production is still less than 40 per cent of its former level before unification, so the recovery is coming from a very hase. Unemployment stands officially at 1.26m, or 16.8 per cent of an already much reduced workforce, without taking into account several hundred thousand more on short-time working, joh creation schemes and retraining. The overall number of economically active people has dropped over the period from nearly 10m to under 6m. The rest, many of them women, have simply left the labour

market in despair.
The process of German unification has virtually turned the east German economy on its head. Not only has traditional industrial production col-lapsed, but the structure of east Germ employment has been transformed as well. The process was one which many now helieve was inevitable, yet which still took most observers in government and industry, as well as the professional economists, by surprise when it hap-

The initial collapse came immediately in the wake of monetary union: the exchange rate of one Ostmark for one D-Mark on July 1 meant an effective revaluation of more than 300 per cent for the currency relevant for the economic area of the GDR. At the same time, the open border with west Germany meant that eastern producers were faced with free competition from ern products. And eastern consumers showed an instant, and well-nigh hlind preference for western products.

At the same time, there was an end to measures supporting trade with the eastern bloc, in effect, a second revaluation shock. Tha net prodoction index dropped by 40 per cent before November, and a furthar 30 per cent up to March, 1991: from then until 1993, it stagnated at about one third of its pre-monetary union level.

Centre of Lower Silesia

Germany's furthest east city



by a wage explosion. In 1989, the average monthly salary of an employee in east Germany was just under DM1,200, or roughly one third of western salaries. Already, in the first half of 1990, unions and enterprises agreed on wage increases of around 17 per

The first round of collective wage negotiations in 1991 saw increases in negotiated wage contracts of around 60 per cent. The result was a dramatic deterioration in east German unit wage costs in relation to the west: around 20 per cent higher than those in west Germany immediately after currency union, they rose in 1991 to about 170 per cent of

he transition from com-

mand economy to market

economy in the east of Germany has been especially

pronounced in the banking

sector. Before unification

there was oo private sector

the sector employs tens of

thousands of people and pro-

vides a level of service to the

customer which is more advanced than in the west.

"Before the wall came down

customers came into their

bank and got shouted at hy the

amployees," recalls Mr Peter Krakow, chairman of the Leip-

zig Sparkasse, the higgest

savings bank in the new fed-

whatsoever - and everybody

else in the queue could listen

in. People were profoundly suspicious of their banks, see-

ing them quite rightly as

agents of the state. All this

As the hustling hanking hall

of the Leipzig Sparkasse shows, well turned-oot

respectful tones rather than

barking out orders to terrified

customers as if they were

underlings. Those who do not want to stand in the queue can

make use of an array of

self-service machines in a sep-

arate room. Here, as elsewhere in the new federal states, the

level of technology on offer is

more sophisticated than at

bank branches in the banking

a series of complicated cross-

shareholding and cooperation

agreements with their western

This is a dramatic change

from communist days when

the hanking sector was

divided between the Staats-

bank - the state-owned bank

which was part of the machin-

ery of the command economy

- and the Sparkassen. While

counterparts.

metropolis of Frankfurt.

"There was no discretion

eral states.

has changed."

banking industry at all - nov

the western level, because of the combined effects of the drop in prodoction and the high wage increases.

ment and its eastern agent, the Treuhand privatisation agency, had hoped to preserve and privatise much of the sunposedly efficient east German economy, the uncompetitiveness caused by those soaring unit wage costs put paid to it.

A more total collapse was only prevented by truly massive transfers of cash from the west, in the form of straight subsidies, instant infrastructure spending programmes, and huge transfers of unembenefits. Total financial transfers rose from DM132.Tbn in 1991 to around DMI70bn last

The upheaval in east Germany has caused startling changes in its industrial structure in a very short time. The capital goods manufacturing sector has shrunk from about half overall industrial production to no more than two-fifths of the much lower output lev-

Mechanical engineering, which in 1990 provided 23.6 per cent of manufacturing output, was down to barely 11 per cent by the end of 1992. Electrical engineering was down from 15.7 to 12.1 per cent, and other How the East German economy matches up to the West

East German levels are shown as a pe	rcentage of th	e West Germa	eve teve
DSS GERMAN STOCK TO	1991	1992	199
Economically active population	24.7	21.5	21,
Gross domestic product	6.9	8.4	8
Gross domesuc product	14.3	16.6	- 18
Internal demand	15.4	19.5	24
Capital investment	82.0	80.0	103
Capital investment per capita	47.6	62.1	68.
Gross wages per employee	165.7	155.2	144,
Unit wage costs	47.1	56.1	62
	Source	e: Economics	Ministr

The changing structure of production in the east German manufacturing sector

	1990 (2nd half), %	1992 (2nd half), %
Manufacturing sector	100	100
Oil refining	22	4.4
Quarrying	4.8	8.0
iron and steel products	2.6	24
Foundries	1.6	0,9
Structural metal products	5.2	12.4
Mechanical engineering	23.6	11.1
Road vehicles	3.3	3.2
Electrical engineering	15.7	12.1
Precision/optical instruments	2.4	
Chemical products	8.3	7 <u>.2</u>
Office machinery	1.3	
Printing	1.6	3.5
Leather processing	. 12	
Clathing and textiles	4.1	1.7

"Selected sectors; data source - Federal Statistics Office, DIV

such as precision and optical instruments, and data processing equipment - all saw their importance reduced sharply.

In contrast, the growth sec-tors have been food and drinks (up from 12.6 to 18.1 per cent), anything to do with the construction industry, and services. Printing was the one industrial sector which was not affected by the initial collapse: the demand for information remained constant.

"The competitive structure of east German industry has still not crystallised," says Mr Ludwig, "It used to be dominated by capital goods. Now it is a manufacturing sector dominated hy the food industry. That is not the structure of a developed country. But nor is it the final point. There is a lot of investment in vehicle manufacturing and electrical engineering. There are small signs that our export industry will

There have also been huge changes in the structure of enterprise size: today the dominant size of enterprise is between 100 and 500 employees, in stark contrast to the huge kombinats which dominated communist industry.

unknown and unmeasured activity is among the smallest enterprises, the indigenous small businesses with fewer than 20 employees. "My guess is that they are already producing 15 to 20 per cent of what is produced in the measured sectors of industry," says Mr Lud-

Neither Mr Ludwig nor Mr Flassbeck believes that the future for east Germany is as a service industry economy. "There are no special services east Germany can offer." Mr Flassbeck says. "Take banking, insurance and other financial services: they all depend on someone earning money from industry.

"We don't have the tourist attractions of a Switzerland. Our future depends on having a highly qualified labour force, and an outstanding infrastruc-

"Recovery depends on how long we will continue to be able to afford to pump in subsidies at the present rate. I think we need to keep up this high investment activity for another five or six years, at least. But that means a huge amount of money, which many in the west do not think they can



David Waller reports on the banking revolution

Service with a smile

Staatsbank network, all other credit institutes have had to haild up their hranch networks from scratch.

By the end of 1993, private According to the Bonn-based sector banks had invested Federation of German Banks, there are now just under 100 DM4.5hn in huildings and private sector banks in the fixed assets alone, excluding eastern states, with nearly further hundreds of millions spent on intangibles such as 1,300 branches as at the eod of training. The Federation of last year amploying 21,000 German Banks says that people. On top of that there are around 160 Sparkassen hanks plan to spend a further which employ 42,000 - twice as many people as before the DM1.5-2hn expanding their hranch networks over the wall came down. Theo there course of this year and next. are the Landesbanken - public The commitment of the prisector commercial banks which serve the new states in

vate sector banks to the east has not been without problems. Unpopular in the west of Germany at the best of times, banks are especially unpopular in the east where economic recovery is taking far longer than politicians promised at the time of reunification. The resentment is that much greater as a result of the banking sector's record profitability last year and, more recently, the failure of hig

Deutsche Bank and Dresdner
Bank, the two biggest banks in
the west, bought the old
banks to foresee the collapse
of the Jürgen Schneider property empire which has put several thousand jobs in Leipzig

Mr Eberhard Martini, chief executive of the Bavaria-based Hypo-Bank and ontgoing chairman of the Federation of German Banks, complained in March that banks were portrayed as "crisis-profiteers".

Bank staff now speak in respectful tones rather than barking out orders

He denied that the hanks charged excessive fees in the east and, in an outspoken speech, he criticised Chancel-lor Helmut Kohl, Mrs Birgit Brenel - chairman of the Trenhand privatisation agency - as well as the press for the banks' poor image in the east. His outhurst follows the long-running dispute over the scale and the form of banks' commitment to the so-called Solidarity Pact. While banks baya agreed to commit hundreds of milliona to east German industry by means of direct participation in German industry, Chancellor Kohl has complained that the "bank hillions" have not yet been forth-coming. As Martini said, the banks will only invest on normal commercial criteria and in the east these criteria are difficult to fulfil.

Therein lies the nuh of

banks' problems in the east: they are expected to fulfil a social role in the rebuilding of the new federal states while being obliged to shareholders to undertake only profitable husiness. Conditions in both commercial and retail banking are difficult. As Mr Martin Kohlhaussen, chief executive of Commerzbank, explained recently, "the risk for commercial customers is higher in the east...we simply don't have the credit information and the company history which normally form the basis of a lending decision."

Not surprisingly, corporate customers complain about their treatment at the hands of the arrogant "wessis" or western Germans who still dominate the top management posttions in the east-based banks. A poll conducted recently by the BDI Federal German industry association of 1,000 aast German husinesses yielded a multitude of complaints about the banks, who were accused of being too con-

servative. On tha retail side, banks complain that they must pay higher deposit rates than in the west and invest more time and effort in providing advice to customers. Part of this is due to the Sparkassen, which have adapted rapidly and vigorously to capitalism with the help of partnership agreements with institutions in the west, with the result that they have managed to keep a market share of retail husiness higher than in the old federal

thought that they'd have it easy when they came here," chuckles Krakow at the Leipzig Sparkasse. "Of course we have lost customers and market share - but not on the scale that other banks were expecting."

The net result is that for many big commercial banks. the investment in the east has been substantial hut as yet

Mr Hilmar Kopper, chief executive of the Deutsche Bank, said as the bank announced record 1993 profits, the bank has invested DM4bn to date in the east and has yet to make a pfennig of profit. Mindful of the long-term opportunities. Mr Kopper said he was not complaining about

Difficulties aside, Institu-

The best example of this is the Hypo Service-Bank, a subsidiary of the Hypo-Bank which offers just nina hasic retail banking products compered with the 60 products on offer at a normal bank branch. As yet, this highly autom-

unprofitable.

tions are using the east as a testing ground for new products and services.

ised concept - designed to cut down on the costs of hasic banking services at the same time as increasing the speed and efficiency of customer service - is only on offer in the east. It may be that this model will be copied throughout the

RESTRUCTURING OF EASTERN GERMANY 3

Quentin Peel on the successes and failures of mass privatisation

Sale of the century ends

ari-Heinz Rüsberg looks like a cross between a frantic factory manager and a slightly dotty professor, with a rumpled suit, laughing eyes, a shock of white hair, and the passion of a true believer.

He is probably the most successful single salesman in East Germany's "sale of the century", the wholesale disposal of the entire assets of the former communist state by the Treu-

hand privatisation agency.

It is a process which has aroused furious passions both in favour and against it, and a truly extraordinary exercise which will leave the achieve-ments of the Treuhand the subject of egonised dehete for years to come.

الماتوة والما

On the one hand, the agency has presided over the restructuring of a hopelessly uncompetitive communist economy, involving the hreak-up and reorganisation of vast industrial empires and agricultural

It has sold almost 13,500 separate companies in rather less than four years, for net pro-ceeds of around DM30bn. By the end of 1994, when it is formally wound up, all but 100 will be in private hands. It will have successfully raised some DM230bn in loans on the national and international capital markets to finance the process, with another DM45bn needed to pay for its remaining obligations.

On the other, the Treuhand has seen the numbers employed by its enterprises



The old mining town of Johanngeorgenstedt, south of Chemnitz

slashed by hundreds of thou-sands, and the industrial structure of east Germany transformed from the showpiece of the communist world to a rump of struggling enterprises, whose future in the cold capitalist market is still not

assured. Instead of realising a positive balance for the German exchequer from the sale - once casually estimated by Mr Detlef Karsten Rohwedder, the first Treuhand president, et "around DM600hn" - it will leave a debt hurden to the federal government of at least

been overwheimingly positive and successful, in spite of inevitable mistakes. He is a "You cannot succeed in this

Mr Rüsherg remains con-

vinced that the exercise has

job unless you work as a man possessed," he seys, as he rakes through his files for the prospectuses of the last few companies still on his books. Perhaps there is a certain nostalgia now, as our job is coming to an end. But we can be happy to have been involved in this unique work."

Then he reels off statistics of his successes and fatheres, of

the remarkable products which east German companies are still capable of producing, the quality of the workforce, and some of the mistakes which have been made along the way of seeking to transform a totalitarian socialist economy into a capitalist one.

Mr Rûsberg is regional man-ager for the Treuhand in Halle, an historic but grimy centre of east Germany's chemical industry, and he is not there by chance. It is the last regional office still in operation, and Mr Rüsberg has been sent to clean up a disastrous, incompetent and corrupt priva-



tisation process in the area.

Two of the main purchasers of Trephand enterprises - one who bought 29 businesses. and the other who took over 10 are sitting in jail awaiting trial on various charges of falsification and fraud. The former privetisation director has just been arrested in Texas (for speeding in a Rolls Royce), and is now the subject of extradition proceedings.

As for the 800-odd enterprises and properties sold off in the area, the entire lot has had to be reconsidered, and contracts renegotiated, to make sure the investors are sound and the legal details correct. It is e nightmare for all con-

carned - not least the workers in the privatised companies. whose jobs are once more in doubt - but it was probably an inevitable consequence of the sheer scale and speed of the privatisation proces "With the best will in the

world, mistakes can be made." says Mr Rüsberg, who came to the agency as an entrepreneur who had run a joint venture in Romania for MAN-GHH. "The performance of the Treuhand in such a short time

was fantastic. I simply would not have believed in 1990 that so much could be done in such a short time."

The detractors of the Treu-

Mrs Birgit Brouet: We always say we are not just selling firms'

hand charge that the agency has presided over the de-industrialisation of east Germany leaving the region condemned to remain a backwater of the west. They say that far more should have been done to restructure the enterprises before they were sold, rather than rush into privatisation at

all costs. Mrs Birgit Brenel, the no-nonsense former Christian Democrat economics minister from the state of Lower Saxony who has been president of the Treuhand since the 1991 assassination of Mr Rohwedder, quietly hut firmly rejects such

"It has not been de-indus-trialisation," she says. "It has been e return to small (industrial) cores. 1 am convinced that is positive.

"Every part we have sold will be fully modernised (by the year 2000). They will be lean - and striving for cost advantages. Then I believe we will have extremely attractive investment locations here.

"Of course, if everything was in a green field, we might have done things differently. But we were not beginning in e green field. We were dealing with hundreds of thousands of peo-

To the charge that the Treuhand put jobs second in the rush for privetisetion, she

We always say we are not just selling firms, we are also huying something for them. We are buying management, we are buying technology, we are buying capital, and probably most important, we are buying a market share.

"We had to take the legal framework, and try to give the enterprises a real chance within it. We had to slim them down so they had a chance to be competitive. Of course that was gruelling work, and it meant a loss of jobs. But it was

There was no structural con-

cept when the Treuhand began work, not least because there was no time to develop one. "We were overwhelmed by

the need to take decisions.

immediately," she said.
"With economic and mone tary union (on July 1, 1990), most of the companies were in desperate straits. We had no structure, and only 150 workers at the start.

"When I arrived in September, I had no office, no assistant, and no concept: just sacks full of letters." But nor did the Treuhand's

leadership believe there should be e "structural concept", says Mr Wolf Schode, the egency

"Our philosophy was to give every individual enterprise an individual chance to survive and develop itself," he said.

"It was a bottom-up strategy. Others wanted us to design a sectoral plan, industry by industry. But if we had done that, we would have been no better than a successor to the old east German planning com-

"We are the last ceotralised institution of the old central-ised DDR, and we are deliberately destroying ourselves because in the pluralist, federal system of the new Germany, you don't need such a centralised structure."

Industrial workshop profile: JenLaser

Small engine for growth

tiny Handwerk busi-Unesses, or industrial workshops, which economists believe will slowly help to drive the the east German

economy towards recovery. Already, more than 1m people are employed in eastern Germany's Handwerk sector. It consists of 188,500 businesses which vary in size from four (the number who work at. JenLaser) to 200. Total turnover for this sector in the eastern states increased last year by 15 per cent to DM72.4bn last year compared with the previous year. The Central Association for Germany's Crafts and Trades reckons it already accounts for 10 per cent of gross domestic product. JenLaser's small workshop

is in the small village of Schlöben situated in the forests of Thuringia. ft was the brainchild of Mr Dieter Schumann and two former colleagues from the Carl Zeiss

optics enterprise in Jena. Mr Schumann, 42, bed worked there as a physicist until 1991. But instead of waiting with thousands of others for the inevitable redundancy pay-off, he left will-ingly, because, he said, "the longer I stayed, the more

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opportunities I would miss". He and his colleagues, Mr Stephan Zenkar and Mr Volker Kurze, raised DM50,000, the minimum required to set up e limited company, Mr Schnmann, unlike many other east Germans, had decided not to spend his savings on e new car. His loyal old Warthurg station wagon is an integral part of the business. "It's our

delivery car," said Mr Schu-

The three then approached the banks with their plan -"we wanted to set up a laser cutting business which would provide high quality cut steel to enterprises," explained Mr Schumann. "We needed a loan of DM500,000 to buy new equipment," he said, taking out a photo of his large house which he had offered as secu-

is subsequent dealings with the banks were his foretaste of western capitalism. An official at the local Dresdner bank in Jena told the trio that the project was e waste of time. An official at the Bayerische Vereinbank said they should invest in second hand machinery but that a loan would take a few months. Finally, the Commerz-

Treuhandanstalt

The Treuhandanstalt, Halle Branch office tenders for sale and invites your bids and

bank offered the loan in 14 days. "We were on our way," said Mr Schumann.

They rented a couple of farm sheds from e west German who had bought part of a former LPG, or state farm, and then set to work - "we were working 12-14 hours a day throughout 1992 and paying ourselves about DM1,500 per month. It was tough going. We had to find a niche.

At first they considered tap-ping into the machine building industry in Stuttgart - "but we soon realised that after 40 years, these managers had built up very close contacts with suppliers and their customers. Instead, they used old con-

combed the eastern states of Thuringia and Saxony, and secured nearly 100 customers. Then came the need for more capital and e fourth

tacts built up with Carl Zeiss.

We needed another credit line of about DM750,00. This time, the local Sparkasse helped and, with cheaper interest rates backed by the European Union's Regional Development Fund, they bought new laser cutting equipment from a Japanese company. By the end of last

of DM1m, and had paid off nearly 75 per cent of the first

This year, Mr Schumann reckons turnover will be between DM1.2m and DM1.4m. "We are making a profit," he said (without saying how much) adding that Jenlaser's two-pronged strategy of reasonably close markets and competitive costs was paying

"Our markets are within 200 km radius - and all in eastern Germany. Our advantage is that we have a fast turnaround - a matter of two days. We deliver the products ourselves." They had also managed to keep costs and overheads down. "Our prices are between 60 per cent and 80 per cent of west German prices," said Mr Schumann.

Now that the capital investments have been made, the company of four people believes it has secured a niche in providing high quality laser cut steel products. "We are operating at nearly 100 per cent capacity," said Mr Schumann. "The biggest challenge facing us is finding ways to keep costs down."

Judy Dempsey

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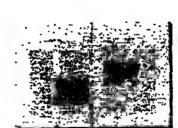


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A steep fall in employment levels - 37 per cent of the eastern labour force is now idle

The high price of national unity

many. When the Berlin Wall was hreached in November 1989, the 9.3m workers of eastern Germany were heavily concentrated in manufacturing and agriculture. More than 920,000 people worked on the land. That number bas since dropped to 210,000, a 70 per

More significantly, the 3.17m employed in manufacturing are now down by 60 per cent to 1.29m. In mining and energy, production decreased by 39 per cent between 1989 and 1992.

Overall, the number of available jobs fell by at least 34 per cent from 9.3m in 1989 to 6.2m in 1993. Since that time, the total labour force has decreased to 8.2m, largely as a result of migration.

Several factors explain the steep fall in employment.

• Most of the products from east German manufacturing ern Europe and the former Soviet Union.

 The competition caused by the merging of the GDR's Ost-Mark with the western D-Mark.

The collapse of the Com-econ socialist trading organisation, and the inability of the eastern European countries and the former USSR to pay for east German goods. The policies of the Treuhand privatisation agency, which sought to reduce overmanning, close or break up and restructure the large Kom-

hinate, or state-owned enter-

prises, to prepare them for pri-

The breakup of the LPGs, or

 The wage levels, which imposed another brake on the demand side of the labour market. Since wages are set to equal west German levels by 1996, despite productivity often 60 per cent below west German levels, unit labour costs are around 170 per cent of west

"In reality, we would require

a reduction by a further third of the work force if we were to match productivity levels of

western Germany," com-

mented one economist. By March of this year, 16.8 per cent of the labour force, or 1.26m, were unemployed. That did not include those on short-time work (135,000), joh retraining and joh creation schemes (249,000, and 238,000 respectively) and those who

bolidays for investors, and as

more outstanding property

claims are resolved, more resi-

dential bousing will require

renovation. The federal govern-

ment is also planning to privat-

ise 15 per cent of eastern Ger-

man housing stock over the

In reports issued by Ifo, the

Basle-based Prognos, the num-

ber of dwellings will increase

even as the birth rate declines.

In eastern Germany today, an

average 2.4 persons live in one

home. This number will fall to

2.2 hy 2000 and 2.1 by 2010,

creating the need for more

In addition, experts reckon

that of the 6.9m dwellings reg-

istered in eastern Germany.

about 500,000 are no longer

By 2000, they believe that

between 7m and 7.3m dwell-

ings will be required. In short,

one-family and two-family

homes will account for a very

large share of construction

activity for the rest of the

1990s, rising from 34 per cent

in 1989 to more than 38 per cent in 2000. As a result, east

German housing will soon

match the occupancy - and

quality levels - of its west Ger-

Yet, the hoom in the east

German construction industry

has had some negative side-ef-

fects for west German compa-

nies. Wages in eastern Ger-many's construction industry

are approaching 90 per cent of

west German levels, although,

according to Mr Stiepelmann,

productivity levels are between

west German levels.

70 per cent and 80 per cent of

At the same time, as more

and more non-German compa-

nies enter the east German

bailding industry, often bring-

ing their own crews, and in

some cases hiring workers

from the neighbouring coun-

tries of eastern Europe, west

German companies are faced

with competition - "some local

authorities are contracting out

to foreign companies because

they can do things more

cheaply," said Mr Stiepelmann.

wage levels and competition

mean that west German com-

panies have not reaped all the

benefits of the construction

boom in eastern Germany" -

but it may bring savings for

city authorities.

"The German industry's high

man counterparts.

suitable for occupancy.

next 10 years.

dwellings

had taken early retirement (205,000). All told, 37 per cent of the total eastern labour force is

The question is whether these very high unemployment levels have become permanent and whether the federal government can continue to allo-

> US developer who is investing more than

idle. Last year, the federal labour office paid ont

DM54.7bn in unemployment

cate nearly DM65bn each year emerge in the following sec-as the price for maintaining tors: social stability and for subsidising consumer spending in

A recent report by the Berlin-based DIW Institute for Economic Research concluded that if the labour market in Germany did not radically cliange, there would be around 5m people without regular employment in the unified Germany by the end of the decade. It dded that the economy would be burdened by higher taxes which would reduce enterprises' profits and could dampen the willingness to

Against this background, few economists believe that - with the exclusion of women - the size of the labour market in eastern Germany will ever correspond to west German or western European levels. Mr Wolfgang Scheremet, a labour expert at the DIW Insti-

tute, said that even when the recession ended in Germany, "there will simply be not enough new jobs in eastern Germany to absorb the high levels of unemployment."

The manufacturing base, overmanned before unification. and now in a state of collapse could no longer be considered as a viable instrument for rebuilding mass employment. Instead, Mr Scheremat believes that some positive and negative trends within the labour force are likely to

 Construction. This sector will continue to play an important role as the housing stock is modernised, the infrastructure is upgraded, and hotels Scheremet reckons that the accounts for about 12 per cent of the labour market.

· Innovative technology. A lot of money is being spent on introducing innovative and high levels of technology which will quickly become competitive and find a niche in international market. For instance, Slemens is investing DM2.4bn in a new microchin plant in Dresden which will create more than 1,200 jobs. The success of such enterprises are underprined by investment

Services and the Handwerk, (the small trades and crafts-men sector). These sectors are already capitalising on the con-

Wages are set to equal west German levels by 1996, despite lower productivity

struction boom. The DIW and other economic institutes see the Handwerk, embracing 700,000 people, as one of the engines of economic revival. Handwerk are increasing as

1400

the manufacturing continues to decrease," says Mr Schem-

But these trends alone are not enough to absorb the high levels of unemployed. By 1993, restern Germany was still supplying 90 per cent of the goods and services bought in eastern

Meanwhile, the cheap labour neighhouring eastern Europe could help to keep high unemployment figures in eastern Germany.

The German economic institutes argue that if any small increase in the demand for labour emerges, especially for intensive labour, western German enterprises are more likely to shift production to the ern Europe. The DIW study

argues, that in the short term, this will deter investment both

in west and east Germany, In the medium and long term, it would benefit Germany as a whole because it would create a hinterland with very favourable cost conditions for suppliers. However, it concludes: "The positive effects of this will, however, not be felt until the beginning of the next

decade at the earliest." Women are the only sector of the labour market that appears to be matching western German levels. Eastern Germany's 8.1m women represent half the population. Before unification. more than 90 per cent of women, or 49 per cent of the total labour force in eastern Germany, were employed.

in contrast, of the 33.4m women in western Germany, more than 20m are classified as housewives while 13m are regstered on the labour market.

Yet sinca unification, women, who are now more than two-thirds of eastern Germany's total unemployed, are being economically and socially forced back to the home as the labour market shrinks and radically different patterns of work take hold.

By late 1992, more than 4.2m ast German women were registered as housewives, and 3.9m were registered on the labour market.

Yet even on the labour market, more than 905,000 are unemployed - not including those women on short-time work, job creation and joh retraining schemes and early retirement. In western Germany, the number of unemployed women is 858,000.

Judy Dempsey



Surge in construction continues unabated

erman and foreign construction companies have moved quickly into a region starved of capital investment in bousing, real estate and renovation in a bid to make up for lost time over the past 45 years.

These companies are also playing a crucial role in providing jobs. More than 383,000 people are now employed in construction.

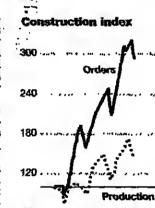
The building boom, which shows no sign of slowing, is a welcome development for west German and foreign companies. They have offset poor returns at home because of the recession by capitalising on the expanding construction market in eastern Germany.

In west Germany, total investment in the building industry last year totalled DM347.8bn, a sharp decline on the previous year. In eastern Germany, in con-

trast, total investment amounted to DM87.5hn. accounting for 7.1 per cent of GDP in real terms. Immediately after unifica-

tion, there was a massive surge in public investment, but from very low levels of (previous) investment as well as a low GDP base," said Mr Heiko Stiepelmann, a spokesman for Germany's association for the building industry

We can now see a pattern emerging in east Germany," he continued. "At first, there was a rapid and large public investment programme." This was mainly in the non-residential state sector, including roads, bridges, public huildings, hospitals and schools. "Then the private sector began building or modernising enterprises and offices and now, over the next few years, we will see activity on the housing front - not only renovating old stock, but particularly building new homes



In 1993 alone, the federal government invested more than DM18.3bn in upgrading the infrastructure, a rise of 15 per cent on the previous year. It was followed by private companies which invested DM35.3hn in con-residential property, an increase of 22 per cent on 1992, and private housing, where over DM33.9bn was invested, a rise of 42.2 per cent (all based on 1993 price levels).

1990 91 92 93 94

Frank Söffner, a housing expert at the Munich-based Ifo institute, believes that investment throughout the construction industry in eastern Germany will continue to rise by 16 per

cent each year. On 1991 prices, it could reach DM2,400bn by the year 2005. However, he says this level of investment would need to be maintained, if not increased, if the German east was to reach the west's standards by that

So far, there are few indications to suggest that investment in tha construction industry will slow. The governments of the five eastern states continue to offer generous financial incentives and tax

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nany recently paid out more than DM1m as compensation to a former owner of a property who had tried to repossess it. Had he not paid out, his ambitious redevelopmen of the property would have been delayed, and another costly design might have been An Anglo-American consor tium, which had invested heavily in the states of Saxony

ing to resolve a property rights dispute after signing the contract with the Tren-hand privatisation agency.

A Jewish family, forced to leave Nazi Germany in 1938, is still trying to reclaim its property after four years of lengthy and bureaucratic negotiations with the regional office for

and Saxony-Anhalt, is still try-

property questions.

The cases are typical of the claims being made by former owners (or their heirs) for property in eastern Germany confiscated either during the Nazi Third Beich or under the Their claims often collide with the efforts of commercial developers to take advantage

of eastern Germany's integration into the capitalist west. In spite of such cases, German bankers, the Treuhand privatisation agency and the teams of consultants and advisers insist that investment in the five eastern Lander is not being held no by any outstanding property disputes. Under the unification treaty,

all owners who had their property confiscated between 1933 and 1945 are entitled to restitution of their rights or to

All owners whose property was confiscated between 1949 and 1990 are entitled to similar rights. But those who had property expropriated between 1945 and 1949, when east Germany was under Soviet administration, are not entitled to restitution, and only recently. won the right to a more lim-

onika Singer knows all

about agriculture in the eastern state of Meck-

Before she became mayor of

the small village of Gross-Wüs-

tenfelde in 1990, she had

worked for eight years on the

nearby State Collective farm,

or LPG. Now, she spends hours

in ber small office dealing with

queries and farmers' com-

plaints, leaving her with little

"Its tough. The enormous

pace at which agriculture has

been restructured has left peo-

ple disorientated largely

because so many have lost

"Maybe it has been too fast.

because at the same time we

also had to integrate our agri-

cultural sector not only into

the west German system but

into the European Union as

There is hardly a village in

Mecklenburg-Vorpommern

which has not been affected by

these changes. United Ger-

many inherited a complex farm

After the second world war.

the large estates of the former

German aristocratic familles

had been expropriated by the

Soviet authorities which

administered eastern Germany

between 1945 and 1949. These

estates were broken up and

distributed among ethnic Ger-

sector in eastern Germany.

their jobs," she sald.

" Ilaw

Judy Dempsey | mans forced out of eastern

time for her five children.

lenburg-Vorpommern.



Search for stolen rights

Property owners struggle with the legacies of Hitler and Stalin. Disputes will take a long time to resolve, reports Judy Demosey

ited form of compensation. The deadline for registering claims was December 31, 1992. A year later, the Federal office for the Regulation of Property Questions still faced 1.08m outstanding claims on 2.6m titles. By that time, Berlin had resolved 16.3 per cent of claims, Saxony, 51.95. All told, 30 per cent have been resolved. According to officials at the Property Questions Office, it will take another

ecade to close the books. The federal government chose restitution of property rather than compensation partly for financial reasons. Boon simply did not have the funds to allow only compensa tion. Yet no sooner had these rights been granted than the Treuband and bankers realised that investment in eastern Germany would be held back unless new investors had precedence over claimants for

restitution. Following some sation payouts; and payments amendments, it is possible to buy commercial property in eastern Germany if one undertakes to invest (and create jobs). In these cases, former owners of the property generally have to settle for compensation at market value.

here are still outstanding questions over the level of compensation to to individuals who cannot reclaim their property, either because it had been legally bought by east Germans after 1949, or because municipal buildings, such as a hospital, has been

built on the original site. The federal finance ministry has drafted several bills, suggesting that compensation be valued on the 1935 value of land, but multiplied by several factors depending on the nature of the property; that a ceiling be imposed on compenbe gradually paid out through some bond system. How do these delays in com-

ensatinn legislation affect

investment decisions? Mr Hansifirgen Schäfer, head of the Berlin-based federal office for Property Questions, says that with about 70 per cent of the real estate titles "there are no problems". But the other 30 per cent were "really critical". One problem is deciding the actual purchase prica as a basis for paying compensation. From the legal point of view it was also sometimes difficult to establish whether property

was acquired legally after 1949. For instance, Mr Wolfgang Berghofer, the former mayor of Dresden, gave apartments and houses to his communist party friends and other political crontes.

"How do we assess the statas of that property? Did these people receiva the property legally or not? Was it legal under the former German Democratic Republic or not?" asked one official from the Property Questions Office. Then there are cases frequently experienced by mem-bers of the Jewish community. When they fled from Hitler, the Nazis, or those who had taken over their property. went to the Land Registry. There, they either tore out the pages containing the Jewish title to that property, wrote in their own, or simply crossed out the nriginal owners' names with black ink and

wrote their own names below. The central land registry at Barby, near Magdehurg in Saxony-Anhalt, has many such examples. These cases became even more complicated when the new "owners" destroyed these documents or were stripped of the property hy the east German communist Musi

In an bisarre twist of history, former Nazis have taken advantage of unification to claim back these former Jeworiginal Jewish nwners frantically search for their title deeds, or, with the help of infra-red equipment at the Property Questions office in Barby, try to read their names

through the black ink. There is one other problem It is quite easy to buy agricultural land in eastern Germany. But former nwners of land expropriated between 1945 and 1949 are still insist ing on equality of property rights before the law. Since they will not have the right to restitution, they are seeking fair compensation.

Mr Hans Marcus, a Londonbased lawyer at Pannone & Partners, says the situation in eastern Germany is a mess no matter what the establish ment says, there are big problems with property rights. These disputes have hindered investment decisions . . . such problems will take a long time

Agriculture sector still a collective mess

Many land disputes have yet to be resolved, but private farming is slowly being reborn, writes Judy Dempsey

land of about six hectares Not long after, the east German communist regime placed about 75 per cent of the private farms under co-operatives, nor mally about 4,500 hectares in

The remainder of east Germany's 6.2m hectares were turned into giant LPG state farms. Coping with that legacy has proved one of the other difficult aspects of restructuring the east German economy.

After unification, the federal government embarked on a two-pronged strategy: the right to restitution and compensation was granted to former owners of land under 100 hect-

This right did not extend to those owners of the large estates which had been expropriated by the Soviet authorities between 1945 and 1949; and the Treuhand privatisation agency set about privatising or leasing 1.3m hectares of land, a third of the total arable land in

Europe. Many received plots of eastern Germany. By the middle of this year, the Treuhand will have leased out 700,000 hectares, many on 12-year contracts. Mr Otto Bammell, a

official at the federal ministry of agriculture, admits the reprivatisation of land has thrown up many unforeseen problems. "Many people now have their

land back. But in the process they soon discovered they had a giant silo stuck in the middle of their property, or found buge barns which once belonged to the collective farm.

There are now disputes about who owns these buildings and who should remove them. It's a mess." he said. Then there was the unresolved question about bow much former small landowners would receive in compensation instead of restitution.

Apart from property disputes, the government is also faced with very high levels of unemployment in states such

as Mecklenburg-Vorpommern, and Brandenburg where entire communities depended for their livelihood on the state, or collective farms. "Under the old system, there

were 850,000 people working on the land, or about 14 people per 100 hectares. That's at least three times the number compared with western Germany." sald Mr Bammell. Since 1990 this figure had fallen to about 200,000 people as a result of restructuring, he said.

"The reforms have been successful to the extent that farming is now more efficient. But in some villages, about 60 per cent of the population have no work. There is no industry in Mecklenburg-Vorpommern into which people can move. Politically, and socially, it is extremely dangerons," he added.

Restructuring also co-incided with integrating east German agriculture into the European Union system.

"When we started the reform

of agriculture we also had to reconcile levels of production with EU regulations, which entailed putting aside 15 per cent of arable land," explained Mr Bammell. This meant limiting crop

production here in eastern Ger-

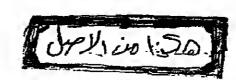
many to 3.6m hectares. This is the base area which would make us eligible for EC price support," he added. In the process, German officials had discovered that the state of Mecklenburg-Vorpom-

mern had planted 17 per cent above permitted levels, and the states of Saxony and Thuringia had overshot by 10 per cent. in total, eastern Germany has exceeded the base area by 350,000 hectares.

As a result, farmers in Mecklenburg-Vorpommern may be asked to set aside a total of one third of its land, without compensation, in order to pay the penalty for over-production. Agricultural officials say it will be some time before east German agriculture stabilises.

"The people have had to cope with so much change on the land. A complete breakdown of the former system took place after unification. We now have to restructure the entire sector stage-by-stage both socially and economically," said Mr

For Ms Singer, the comple tion of that process cannot



Quentin Peel describes the replacement of an archaic phone system

"I thought you might be a

Weimar sharing the same post code of 5300. Could we?" said

Mr Norbert Schäfer, of the

The west German postal

code system was introduced

in 1961, the year the Berlin

Wall divided this great city.

The east German system,

considered more rational

because it had more post

codes covering much smaller

areas, was introduced in 1965.

But with unification came the

and many outsiders believe it bit late because of the new might have been cheaper to allow the major international post codes." "Oh no - the system is telecoms giants to compete in working fine. The Germans have had enough time to tall Deutsche Telekom retorts

their friends and contacts that it is only thanks to its about the changes," said the monopoly that it was able to postman. mobilise such vast resources so Not even the post code could escape the affects of German unification. "After all, we could not have Bonn and

federal post office.

"Perhaps we have sometimes paid twice for the same line. And we threw cables over autobahns, and hung them from the trees, knowing they would only be used for six months. We used every possible confingency. But the need was urgent. The politicians demanded it," says Mr Menzel.

The cost has undoubtedly been astronomical, with DM28bn spent so far. It is one

key factor driving Deutsche

Telekom towards privatisation, which will provide the option

of financing its capital spend-

ing through the stock market.

has expressed the fear that the

programme has been con-

ducted regardless of expense,

the market

quickly.

The federal court of auditors

"The lack of telecommunicstions was the biggest single disadvantage cited by potential investors. Today it isn't seen as a serious disadvantage any

re-writing of the post code. The new post code, inspired by the French and Swedish models after two years of research and trials, involved scrapping the existing 5,400 codes and replacing them by 26,400 new ones.

Gone is the old "W", (for West Germany) followed by a number, the city, then another number. Gone too is the "O" for east

Germany, Instead, the post code has been simplified with just a set of numbers preceding the city, town or village. The first two numbers denote the region, the last

three the local post office. The German post office spent DM400m on introducing included DM200m on its development, such as installing new computers, DM80m on advertising, and DM120m for distributing to the country's 34m households the hefty 1.3 ko new postcode book ~

which even merited a book review in the conservative Frankfurter Allgemeine Zeitung on April 30, 1993.

Everything was ready by July 1, 1993, when the two separate postcodes of eastern and western Germany were And the success rate? After

a few initial complaints from the large retail and mail-ordering services, the post office authorities feel they can take a bow.

"The acceptance rate has been very fast and high," said Ms Franzi Koski, an official at the post office.

"Several weeks after introducing it, we had a 90 per cent acceptance. Now. we have about 96 per cent rate. We expect 99 per cent 900n."

And the postman will continue to turn up at the

J.D.

Forward from the 1920s

They used to say in the old communist East Germany that it was not the Americans who were the real enemy: it was the

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Every time it rained, the wet would get into the telephone cables, and knock out half the system," says Mr Wolf Reiner Menzel sitting in the massive old Post Ministry headquarters in Berlin's Leipziger Stresse.
The concrete channels were

so rotten, you couldn't keep it out. We tried to dry them out with compressed air, but it only worked up to 100 metres on either side of the telephone exchanges. So the rain simply cut off our conversations."

Not that the phone system was that efficient when the sun shone. Only one person in 10 had a telephone, and some of the switchgear dated back to the 1920s. Of the 1.8m telephone connections, around two-thirds were in private homes, and of those, 90 per cent used shared party-lines. You couldn't use the phone if your neighbour was talking.

The other idiosyncracy of the system was that each of the main arms of the totalitarian state had its own separate phone network: the army, the state security service, and the communist party, for a start.

Any senior functionary had to have a battery of telephones on his desk to be linked up with all the separate services. No one trusted anyone else.

That was the extraordinary system which greeted Deutsche Telekom, the west German state monopoly, when it took on the task of modernising the east German network at unification.

The result was the biggest single investment programme undertaken by any one enterprise in east Germany, sched . illustration. The old exchange uled to cost DM60bn by 1997. In was built in 1922. Standing surthat time, some 7.2m new tele rounded by 10-foot-high banks



The bold sim is to install 7.2m new phone links by 1997

phone connections will be installed, as well as 360,000 fax connections, 50,000 packetswitched data links, 5m TV cable connections, a complete digitalised switching system, optical fibre networks for both long-distance and local calls, and a whole series of mobile communications networks cov-

ering the entire territory.

"We will simply leapfrog several generations of telecommunications technology," says Mr Menzel, who is today responsible for customer services and public relations. From having had one of the most antiquated phone systems in Europe, the east Germans will have one of the most modern.

The telephone exchange in Halle, capital of east Germany's once thriving chemical industry, provides a graphic

of electro-mechanical switches is a bit like being in the middle of a weird mechanical jungle, full of the manic clicks and rattles of thousands of crazy crickets. At the end of every row is a red light, which switches on if there is a fault. At least 25 per cent are blink-

Next door, still surrounded by bundles of new cable, stand the slim new digital switches which will replace them: a few rows of nest grey cupboards, totally silent, and intended to be virtually maintenance-free. Human beings are noticeable only by their absence.

In the Halle suburb of Silberhohe, on the top of a grim 19storey block of workers' apartments, past graffiti denouncing racist skinheads and celebrating tekkno-music, a forest of aerials has sprung up to cope with the explosion of mobile telephone calls expected from economy. There are 10,000 users already in the Halle region, and the newly-installed capacity is 80 per cent exhausted et peak times. In spite of the frantic pace of

RESTRUCTURING OF EASTERN GERMANY 5

investment, Deutsche Telekom is only just keeping pace with the growth in deman

In 1993, 1.02m new connections were installed, and another 249,000 old lines transferred, which reduced the waiting list by just 90,000 because there were 1.18m applications for new lines. Mr Wilhelm Pällman, Tele-

kom director responsible for the Aufbau Ost investment programme, says: Telephones are still selling like hot cakes. Beside a television set, refrigerator and car, the citizens of the new federal states clearly regard the telephone as one of the basic necessities of

He admits that one of the biggest problems at the moment is the number of cables being cut in the course of all the construction activity under way across the territory. Many cables have fallen vic tim to this positive activity." he says. "Of course it only causes quite short-term interruptions, but it also causes natural irritation. It proves that telephoning has become a perfectly normal activity."

The investment programme has concentrated on supplying the business sector first, and the turnover per telephone - at DM1,200 - reflects that It is around 10 per cent higher than the similar figure in the west.

From a density of one tele phone to 10 people at unification, the level has risen to 24.2 per 100 inhabitants to date, compared with 49.9 in west Germany. By 1997, the target is to reach 46.8 per 100 inhabitants in the east, compared with 52.7 in the west.

Judy Dempsey goes on the trail of the disappearing 'Trabi'

A plastic body has its uses

Mr Peter Mattanch reckons his small business which he set up last year has a good chance of surviving.

Faram, employing 30 people, specialises in breaking up and recycling cars. Not only western models, but the famous Trahant - affectionately known as 'the Trabi.' The bodywork, with its spluttering two-stroke engine, is made of plastic rather than steel. It was one of the symbols of the former German Democratic Republic. But like so many other products, it was in permanent short supply. People had to wait nearly a decade for one. By the time the Berlin Wall fell in November 1989, there more 1.9m Trahi drivers on the roads.

As soon as unification came, many east Germans swapped their Trabi for a western car. But not everyone did. Today, more than 920,000 Trables still chug along the roads of east Germany - "it's surprising bow many of these cars still exist," says Mr Mattauch, whose company is based in Rohr in the eastern state of Thuringia. "I suppose it's because the old Trabi is still cheap."

But there's another reason: the Trabi has become a bit of a cult symbol in eastern Germany, and not least, part of

Still changing along: so old 'Trabl' car in the centre of Leipzig

the nostalgia for things east German. Mr Mattanch is already breaking up 3,000 cars a year, including 1,000 Trabies. He is delighted that the east Germans have not yet deposited their Trables at waste recycling centres - "I'll be in business for a long time - 1 hone."

But don't for a moment think that there is no life after death for a Trabi. Because it is not steel, it can be shredded, melted down, and then made into a form of plaster for the building industry - which shows it has qualities bitherto unknown

Supermarkets spring up on virgin territory, says Judy Dempsey

Music of the cash tills

Anyone driving through sion is strict, and because the over tax from the retail sector. cities continues to improve, it eastern Germany for the first | local eastern councils realised time cannot fail to notice the they could reap some of the tres which have been built outside the region's main towns

and cities. These centres, built on greenfield sites since unification, undoubtedly fulfil a demand. Before 1989, eastern Germany's retailing sector, such as it was, was menopolised by the Konsumgenossenschaft co-operatives, consisting of department stores, supermarkets and small outlets; and the Handelsorganisation, the state-run retail sector. Compared with western German levels, which has 1-1.2 sq metres per capita of retail outlets, there were 0.3 sq m per capita in eastern Germany before 1990.

Following unification, the large retailers from western Germany rushed in, encouraged by a consumer spending spree by east Germans. In most cases, the big chains decided immediately to acquire property outside the city centre. They bought cheap land from the local councils, often for only DM3 a square metre. More importantly, they could acquire the land easily because, unlike the centre of the cities, there were few property rights claims. In addition, they could take advantage of

investment grants allocated by the states of eastern Germany. But there was another reason why the west German retailing sector decided to locate outside the cities. Not only was the land relatively cheap, but retailers could obtain planning permission quickly, unlike western Germany where planning permis-

tax from the retailers;
Above all, west German retailers arrived in eastern Germany at a time when the city authorities themselves had not yet decided what kind of long-term planning they wanted for the inner cities. In short, no lobbies had yet emerged in the city councils to protect the small shop-keepers and retail sector in the inner cities from the competition emerging outside the city

Giluthersdorf, west of Leipzig, which has a population of 650, can expect to thrive from the giant 100,000 sq m Saale Park shopping complex which is expected to reach a turnover of DM850m by 1995.

The cities in eastern Germany are now on the offensive. tightening up planning permis-sion with the aim of curbing the continuing expansion of the shopping centres.

New shopping centres are chiseling away at the smaller retailers and taking away employment in the imer cities, say critics

Bastern Germany's city authorities are now questioning the benefits of these shop-

Mr Ralph Kansch, a retailing expert at Leipzig's Chamber of Commerce, says the cities are the main losers. "A struggle is taking place between the city government and local councils. That struggle is about how to win back consumers to the inner cities. The shopping centres are chiselling away at the small retailers in the city and taking away employment in the inner cities."

By 1993, only 20 per cent of retail outlets, including depart-ment stores, in eastern Germany had been based in the cities compared with about 80 per cent in western German cities. The absence of the large retailers also means that the cities, already strapped for revenue, are deprived of the turn-

Ms Irene Krause, an official at Leipzig'e planning office, said the city had already granted planning permission to develop 455,000 square metres of retailing outside the city but in future the city authorities intended to impose limits.

It may be too late. Mr Berndt Rückert, president of the Association of German retailers, said recently that the cities provided few incentives for retailers after German unification. Property in the inner cities was too expensive and property rights were unclear." be said in Berlin's Mitte, the heart of east Berlin, retailers would have had to pay between DM20,000 and DM30,000 a sq m in the boom of

Yet there is a positive side to the retailing developments of the past three years. If the infrastructure ontside the

Mr Krausch believes that is likely the consumers and they could reap some of the Leipzig is losing taxes on an retailers will both win: con-benefits by daiming turnover annual DM900m turnover in sumers will be given more sumers will be given more the retail sector. In contrast, choice at more competitive the small local council of prices, and retailers, boosted prices, and retailers, boosted by the availability of more capacity, unthinkable in west em Germany, can now rethink their long-term strategy for retailing throughout Germany.

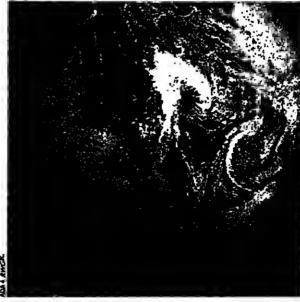
Mr Cy Schluter, a Frankfurtbased retailing expert, said that retailers will be able to build large warehouses, which will cut costs, shorten delivery times, and pass on some of the benefits to the consumer. "If you have a large warehousing network, the transport and delivery costs can be kept down, and ultimately prices can be kept down as well," he said. Mr Schluter added that as the road network improved, retailers would increasingly use eastern Germany as a base for moving goods across Ger-

But it remains to be seen if the economy of eastern Germany can support these large retailing outlets as the fear of unemployment forces people to

There are few worries on the home-improvement front, as east Germans continue to reno vate their homes. Hornbach the large home improvement four outlets in eastern Ger-many to account for a quarter of its total turnover, which last year exceeded DM750m.

But Mr Schluter believes the food sector could come under pressure. "The outlets are not near the centre. People tend to buy food every day. I am not so sure they are prepared to drive some distance for the most basic food items."







to its critics.

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Helaba Frankfurt. The bank with all the right connections. LANDESBANK HESSEN-THÜRINGEN

Helaba Frankfyrit

Germany's new states are moving in the right direction. Powered by the collective and individual efforts of the region's residents, eastern Germany's economic structures are being transformed. One major part of this transformation has been effected by the Treuhandanstalt, which has privatized thousands of centrally-controlled economic units since summer, 1990, when the agency launched its main operative phase. Before the ultimate goal of creating a functional free market economy in Germany's new states has been achieved, many obstacles have to be overcome. The region's companies are still contending with slumps in their traditional markets in both eastern and western Europe. The companies themselves are undergoing the rigors of top to bottom revampings of their production facilities and operating technologies. Carrying this out has involved the highest degree of toil and personal sacrifice. Many persons have been confronted with the loss of their jobs and with corresponding periods of unemployment, others with the challenge of learning a new profession. Despite this, one fact remains of central pertinence: the transformation has gotten off to a solid start. The region's newly-recreated economy is generating products and services well capable of competing successfully on international markets. This fact is documented by the figures for sales made by the region's individual economic sectors. The worst is over for eastern Germany's economy, a time of growth is at hand.

Focus on: TLG and property

The Treuhandanstalt has the world's largest portfolio of real estate. This portfolio is managed by the TLG, a Treuhandanstalt subsidiary, and comprises everything from downtown la sites to exurban business properties with quick access to divided highways and rail lines. The TLG's portfolio also includes palaces, lakeside plots and properties on the Baltic Sea. For the innovative investor, the TLG has something special to offer: "Amerika", 28 acres of riverfront property featuring an historic textile mill and related facilities and grounds.

A full-service provider, the TLG is headquartered in Berlin and maintains offices in all five of Germany's new states. These offices are staffed by professionals with an in-depth knowledge of local real-estate markets.

Compensation packages were provided to those experiencing – a sadly unavoidable – loss of their jobs. Both these packages and job-creation programs were often made possible by large expenditures of Treuhandanstalt funds. Despite all the changes taking place in the region's companies, they have never stopped investing in the future and in tomorrow's human capital. Some 6.8% of all persons working at the region's companies are trainees – an

average exceeding those in western Germany.

The industrial sector in Germany's new states has registered a further rise in output. Companies privatized by the Treuhandanstalt over the past three years have played a major role in causing this marked increase in the level of industrial activity in the new states", as it is being termed by leading German economic institutes. This industrial sector is not only growing in both size, but also in sophistication. One prominent example: plans are being finalized to produce ultra-high performance chips in Saxony. Siemens intends to capitalize on the Dresden region's years of experience in manufacturing advanced electronic components when undertaking these production activities. The Treuhandanstalt has helped sustain the area's manufacturers during their time of transition.

Other prominent example of the region's companies taking on highly competitive world markets is in Thuringia, where Carl Zeiss Jena and its associates have developed new ranges of optical and microelectronic products and sensoric instruments. Underpinning this new start is a new operational productivity in the companies involved.

Another example is in Mecklenburg-Western Pomerania's shipbuilding sector, long a traditional activity on the Baltic coast. Newcomers to ranks of the state's shipbuilders (but by no means to the international shipbuilding market) are Kvaerner, the Norwegian company, and Hanse Holding, part of the Bremer Vulkan group.

EKO is a steel-manufacturing company located in Eisenhüttenstadt, Brandenburg. Its future has just been resolved. Italy's Riva group will acquire a majority stake in EKO and will manage its operations.

The new states' industrial transformation has been especially pronounced in Saxony-Anhalt's "Chemical Triangle", which is located between the cities of Halle and Merseburg. One of the facilities issuing from this sweeping change is a new refinery located in Leuna and belonging to France's Elf-Aquitaine.

These are just a few of the 47,000 privatizations already facilitated by the Treuhandanstalt.

As of January, 1994, the Treuhandanstalt's portfolio contained less than 250 companies still seeking private-sector ownership. This relatively small number does not, however, by any means indicate that the agency is running out of things to do.

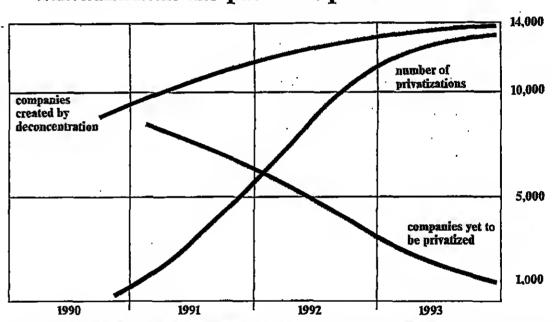
Quite the opposite. The Treuhand-Liegenschaftsgesellschaft mbH (TLG) is the agency's highly-active real estate arm. One of the factors boosting the growth of a broadbased corporate sector in Germany's new states has been the corresponding rapid development of its real estate market. The TLG and its partner companies have played – and are playing – a major role in creating and further developing this market.



German(eas) The Treuhalansi set theours

saupswing in pice



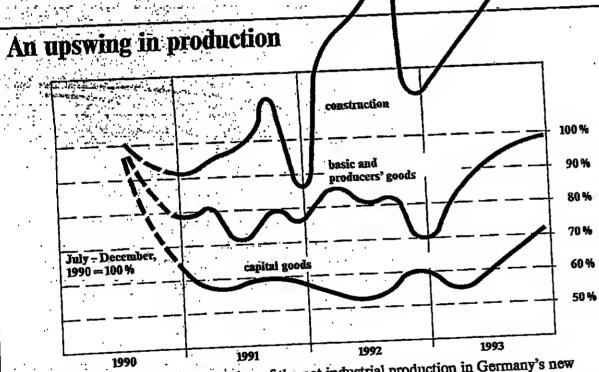


In 1990, the Treuhandanstalt assumed the responsibility for more than 8,000 economic units, which had formed part of East Germany's centrally planned economy. Through deconcentration and split-offs, some 13,000 independently-run companies were created. As of the beginning of 1994, some 250 companies were still awaiting privatization.

	Treuhandanstalt's balance sheets		corrected opening halance	balance as of	balance as of
<u> </u>		sheet 1.7.90	sheet 1.7.90	31.12.91	31.12.92
ASSET	S	in DM	in DM	in DM	in DM
Act (perty transferred to the Trenhand under the Trusteeship ("Trenhandgesetz") and the German-German tement on Unification ("Einigungsvertrag")	millioo	million	million	million
I.	Equity held	78,909	77,836	45,568	33,004
H.	Mining property	1,387	1,388	982	466
Ш.	Agricultural land and forestry properties	16,063	15,959	15.310	14.661
IV.	Other 1100-financial assets	5,772	6,053	5,331	5,228
V.	Claims against Trenhand companies claims arising from liabilities for equalization accruing in accordance with \$25 DM BilG				·
	(Germany's law on balance sheets)	6,177	5,544	2,712	954
	loans to partners	5,667	8,250	8,366	8,669
B. Oth	er assets held by the Trenhand Fixed assets				
	Intangible assets			4	. 4
	Tangible fixed assets			63	84
	Financial assets			้ำ	501
n.	Corrent assets	•			301
	Goods on hand Receivables and other assets	213	213		
	a. Due from privatization agreements		1	5,832	3.910
	h. Due from Treuhand companies		,	80	416
	c. Due from affiliated companies	-]	2	98
	d. Other assets	25	25	688	1 <u>.2</u> 49
	Securities) ~ í	V00	1,856
	checks, cash on hand and at hanking institutions	18	18	301	247
C. Accr	uals and deferrals			0	186
D. Defi	icit	209,291	235,015	246,585	250,318
Sum to	tals	323,522	350,301	331,824	321,851



ny (east): thdanstalt has theourse



This is a graphical presentation of the net industrial production in Germany's new states. The point of reference (100%) is July – December, 1990. As the chart indicates, the individual sectors have experienced divergent paths of development. The contraction sector is growing explosively; the region's capital goods producers are still suffering from the crumbling of markets in eastern Europe.

<u>Г</u>		DM opening balance sheet 1.7.90	corrected opening balance sheet 1.7.90	balance as of 31.12.91	balance as of 31.12.92	
-	ABILITIES	in DM million	in DM million	in DM million	in DM million	
	Reserves I. Reserves constituted to provide for the restructuring of properties held	30,573	38,292	24,709	15,385	
	- TOTAL TOTAL AND TOTAL	165,805	190,007	161,558	131,669	1
	timuidation and seminary	18,918	17,720	11,369	6,556	
	authorities and to original authorities and the original authorities are also and the original authorities and the original authorities are also and authorities are also and also are also and also are a	12,981	9,992	9,992	10,771	
	and compensation commitments to compensate III. Reserves providing for commitments to compensate for less of property value, constituted according to	14,950	10,400	10,399	9,646	
	Germany's 12W on proper to make interest	17,535	.15,233	14,098	6,450	
	payments to the design payments and similar subgratum	6,504	5,784	5,292	5,262	
	VI. Other reserves	39,893	44,440	74,401		3
	I. Loans Lities to credit-dispensing institutions	33,030		49,922 3	1	
	portion difficulties arising from privatization agreements III. Liabilities arising from products delivered and			56	, 91	3
	v. Liabilities to Treuhand companies Liabilities arising from claims for compensation arisin Liabilities arising from claims for compensation arisin Liabilities 2 DM BilG (Germany's law on balances)	14,546 1,817	17,029 1,404	15,534 3,315	5,45 6 11	9
	Other liabilities due to affiliated companies			1,082	1	12
	VI. Other liabilities C. Accrusis and deferrals	323,522	350,301	331,82	4 321,85	51
. [C Alliand	1				_

Som totals

The Bodenverwertungs- und Verwaltungsgesellschaft (BVVG) is charged with administering the agency's portfolio of 3.7 million acres of agricultural land and 2 million acres of woods. In financial year 1992/93, the BVVG concluded 9,412 lease agreements; for 1993/94, more than 6,700.

The Treuhandanstalt's contract management department is also quite busy managing its nearly 30,000 "charges". The department's job is to ensure that the agency's contractual partners adhere to these agreements. On a contract by contract basis, the department supervises compliance with such items as number of jobs guaranteed and investment commitments. All told, Treuhandanstalt's contracts now involve DM 45 billion in proceeds from privatization, guarantees of 1.5 million jobs and commitments to invest DM 180 billion.

Another of the Treuhandanstalt's major, ongoing responsibilities is returning property expropriated by the East German government to the region's districts and large-sized cities. To date, local governments have placed 76,978 applications for the return of such items as airports, street car lines, daycare centers and sports facilities. Of those applications, more than 31,000 have already been processed and resolved.

An onerous responsibility remains the administration of the "special property" formerly in the possession of the "Commercial Coordination" department of the East German security forces and of that previously owned by the country's Communist party and related organizations. This responsibility has an especially vexing dimension. These assets, presumably worth billions of marks, must be first tracked down.

Three thousand companies had reached the point where their reorganization and recapitalization was no longer possible. These companies had to be closed down. However, by selling individual operations or assets, liquidators employed by the Treuhand have been successful in securing more than one third of all jobs at these companies. The majority of these liquidations won't be concluded within the immediate future.

When its companies have been privatized, the story of the "Treuhandanstalt" – in its present form – will come to an end. Its objective was and remains to put itself out of business. The Treuhandanstalt has submitted proposals to Germany's law-makers on ways to restructure the agency's operations in the post privatization phase. Now it's up to the law-makers to decide.

This transition of operations has been scheduled for the end of 1994. The Treuhandanstalt will bequeath a sound financial situation to its successors. Balance sheets have been compiled and audited, reserves have been formed for future eventualities. Money spent by the agency went to secure jobs and the future of the Treuhandanstalt's companies.

In doing this, the Treuhandanstalt could not avoid making mistakes. District attorneys are

currently prosecuting a number of cases. These will then be brought for resolution in courts of law. The Treuhandanstalt is actively supporting the prosecuting authorities in their efforts to combat this form of white-collar crime.

The TLG in facts and figures

- The TLG currently has some 70,000 properties in its portfolio.
- 980 persons are employed at its headquarters and at its fifteen offices.

The track record 1991 to 1993
Some 25,400 properties have been privatized, resulting in proceeds of DM 14 billion, investment commitments of DM 39 billion and the guaranteeing of 240,000 jobs.

A broadly-based private and public sector coalition is currently promoting purchases of products and services from Germany's new states. Participating in this program is one way to assist the persons in Germany's new states in their efforts to transform their economic system.

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D-10100 Berlin

RESTRUCTURING OF EASTERN GERMANY 8



Young people pose with statues of Marx and Engels in Berlin

the east German economy is only 9 per cent of Germany's total Gross Domestic Product, but its population represents a fifth of the country. The question in the federal elections to be held next October is whether east Germany will hold the national balance

The most recent poll by ipos, the Mannheim-based Institute for Social Research, suggests that the Christian Democratic Union (CDU) coalition will not win if it falls to improve its standing in eastern Germany. However it is slowly clawing back some of its lost support.

An Ipos poll last December showed the CDU with 32 per cent of the vote in the west and 22 per cent in the east; the SPD with 45 per cent and 88 respectively; and the FDP, 5 per cent and 6 per cent.

But by April 22, the CDU's standing improved both in western and eastern Germany. In the west it increased to 39 per cent, in the east, to 24 per cent: the SPD lost ground, falling to 41 per cent in the west but increasing in the east to 40 per cent. The FDP, the junior coalition, had fallen to 4 per cent in the west and 3 per cent

The PDS, the reformed successor party of the former ruling east German Socialist Unity or communist party, which is based in the east, continues to make ground, rising by 2 percentage points between

Political puzzle: despite recent polls, many east Germans admit that they will cast their votes differently in the ten local government and state elections, culminating in the federal elections in

The left's confidence is growing

October, says Judy Dempsey

December and April to 16 per from the state of Saxony. cent; the Bundnis 90/Greens have 11 per cent in the west and 9 per cent in the east.

"The CDU will have to make big push and really improve in the east if it wants to be returned to office," said Mr Matthias Jung, head of Ipos.

Clearly, the economy, particularly unemployment, will be the main issue upon which the election will be fought. In the east unemployment accounts for 16.8 per cent, or 1.2m of the labour force. But if, as economists forecast, west Germany is emerging from the recession, it could have a positive spin-off for investments in eastern Germany, besides improving the general level of confidence, and hoosting Chancellor Kohl'e chances.

On a different level, other polls indicate that east Germans seem less angry and disappointed than they were a year ago with the consequences of unification. But would this benefit the present

Officials from the five eastern states believe that the easterners will register an anti-Kohl vote, but perhaps not on the federal level - "I may be wrong," said one senior official

which is CDU, but I think that the incumbents will suffer on They say the local governthe state level in order to register an anti-Kohl vote. After all.

four of the five states have CDU prime ministers." However, he and other officials said that on the federal. level, the CDU might scrape in because "although the easterners may not like Kohl, they know him and they link him

government and state elections, culminating in the federal elections in October.

ment elections will be based on local issues; personalities will play an important part on the state level; and how they vote on the federal election will depend on how urgently they want a change of government in Bonn.

. They also make two other

THE FIRST ALL-GERMAN ELECTIONS

The first federal elections took place on the

- Ontes was:

 | Christian Democratic Union, CDU, 42 1 period
 | The 18 per cent Free Democrats, FDP: 18 per cent.
 Party of Democratic Socialism: PDS:dit
 Buildings 90/Green Party: 6.6 per cent.
- Greens: 3.8 per cent. ☐ Republicans: 2.1 per cent.
 ☐ Others, including PDS: 5.7 per cent.

with achieving unification. Rudolf Scharping (the head of the SPD) is still an unknown

Many east Germans admit that they will cast their votes differently in the nine local

points. First, they increasingly realise that there are now no quick answers to unemployment or restructuring. And since the massive transfers from the west cushion the sumer spending, they are slowly coming to accept the extraordinary depth of social. political and economic the bai

1 : P (P (P)) 25 m 27 5 5 1.

Second, they are still unsure about what the SPD stands for unlike the CDU, or for that matter the PDS, which according to opinion polls could win at least 16 per cent and even pass the 5 per cent threshold needed to enter the Bundestag or parliament through getting three candidates directly elected. Yet none of the established parties, with the excention of the PDS, can rely on membership in the east to help in the campaign. By the end of last year, the CDU had a total of 83,794 members in eastern Germany, 10,000 fewer than the previous year; the SPD's 25,000 embers rose by 200; the FDP is hovering at around 35,000, after falling from 100,000 in 1990; the PDS has 131,000 members, a drop of 16,000 over the same period.

"The low party membership is worrying," said the Saxon official. But what concerns us most is that the east could matter, if, in the west, both political parties are neck and neck at the opinion polls by next October but the CDU ha not moved from its current 24

per cent level in the east. "Everyone will then start counting the numbers in the east. They would be very unwise to neglect the region.

Fuel and power are a marketing nightmare, says Judy Dempsey

Smoke gets in their eyes

he restructuring and privatisation of eastern Ger-many's electricity and hrown coal sector was arguahly one of the greatest challenges facing the Treuhand and the federal government.

Brown coal, or lignite, exists in large quantities in Germany and is reclaimed by open cast mining mainly for use in

Faced with the agonising choice of opening the sector to the market or protecting jobs. the compromise agreed in August 1990, between the former east German government, the Treuhand privatisation agency, and west Germany's utility companies ensured that eastern Germany's energy sector would not be exposed to the

full rigours of real competition. The Treuhand had inherited two huge and notoriously inefficient fields - Laubag in the states of Brandenburg and Saxony-Anhalt, and Mibrag, in Saxony-Anhalt and Saxony

Employing more than 110,000 people before unification, pro-ductivity at the two fields was at least 50 per cent below west German levels, even though east Germany's per capita energy consumption was among the highest in the world, exceeding west Ger-many's by more than 25 per cent. The potential for waste

31 MAY 1994:

24 OCTOBER 1994:

German communists had made brown coal mining a top priority, but failed to allow for the effects on the environment by working out a coherent strip mining plan. By 1989, brown coal accounted for 70 per cent of the region's primary energy consumption. A third of east German railway capacity was ngaged in serving this single

The Treuhand also inherited the chain of filthy, polluting power stations which ran on hrown coal. The plants, run hy

The Treuhand inherited two fruge and notoriously - inefficient coaffields, employing over 110,000

people

Veag, eest Cermany's main electricity company, is due to be privatised later this year. The Treuhand's scope for pri-

vatising the electricity sector was restricted from the beginning by the Stromvertrag, or Electricity Contract between the former west and east German governments. Signed in August 1990, it authorised west German utilities to own 51 per cent of east Germany's 15 utilitles groups (all under Veag), with the remaining 49 per cent held by east Germany's munic-

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GERMAN BANKING & FINANCE

German utilities, which include RWE, PreussenElektra and Bayernwerk, would undertake a large investment programme for Veag.

To underwrite investments of about DM45bn in east Germany's electricity network, the Stromvertrag stipulated that east Germany's regional utilities must, over the next 20 years, buy 70 per cent of their

energy from Veag. Meanwhile, Rheinhraun, RWE's brown coal subsidiary, hegan assembling a west German consortlum to huy east Germany's Laubag brown coal fields as the fuel source for Veag. Laubag will fuel Veag. As for the Mihrag fields, it had been sold last December to an Anglo-American consortium comprising Britain's Power-Gen. NRG of Minneapolis, and

Morrison-Knudsen of Idaho. local councils had challenged Constitutional Court on the grounds that they had the right to 100 per cent of the assets, and not just the 49 per cent stake bequeathed to them in the Stromvertrag. They were overruled. Veag's ownership structure remains intact.

Dozens of east Germany's

In the restructuring of the electricity and hrown coal sector, the Treuhand had to establish one criterion; that the

GERMANY

both interdependent in the sense that Veag relies on Laubag's coal, and both have the same buyers - could not be played off against each other. Since electricity prices in Ger-many are among the highest in the European Union, there were fears that the hidders for Laubag would beat down the Treuhand with the aim of concentrating on extracting large profits from Veag's electricity

deal had been closed. After endless negotiations. the settlement for the sale of Laubag and Veag is nearly complete. Last Fehruary, RWE and the other utilities agreed in principle to buy Veag for DM8bn, while Rheinbraum will make a down payment of DM2.1hn for Laubag, with a commitment of a further investment of DM6bn over the next 20 years.

sales once the privatisation

in all, Laubag's current work force, down from more than 60,000 to just under 12,000, will be further reduced to 7,000 by the year 2000. Veag, which before unification had a work force of around 29,000, now employs 14,500, and the numbers will continue to fall.

Treuhand officials argue that, given the constraints of the Stromvertrag, they attained their twin goal of securing jobs and privatising the industry.

Nevertheless, once Veag and Laubag is finally privatised, it will give west Germany's utilities a virtual monopoly over the generation and distribution of electricity throughout east

Mr Jürgen Stotz, a member of Veag's board, staunchly says that even if he could start

The former east German communists made brown coal mining a priority, with scant attention to the environment

again to restructure Laubag

and Veag, he would not radically change what had already been done.
"We were faced with a politi-

cal and social problem," he explains. "We had to find a way of securing a future for brown coal, a DM40bn invest-ment programme to upgrade, or build a total of 13,300 megawatt capacity (most of it reliant on brown coal) and at the same time have a programme to introduce a massive recultivation policy."

Mr Stotz added that when the restructuring is complete, the east's energy sector, including the brown coal fields, will not be subsidised. unlike west Germany's hard coal, each tonne of which is subsidised by about DM180 to keep coal imports down what we have done in eastern Germany will have been worth it," he said.

Nevertheless, some energy experts still ask whether it would have been possible for Bonn to revise the Stromvertrag in a way which would open Veag and Laubag to international competition, thus giving the east German consumer cheaper electricity as well as making eastern Germany the catalyst for opening up the country's energy sector to com-

some way to go.

sumers have emerged."*

a share in the latter.)

its own 55 per cent share to Elf Acquitaine, Statoil, Gazprom, Gommern and British Gas, each with 5 per cent stakes. The rest were distributed to eastern municipalities which obtained 15 per cent plus one share, and to Wintershall, the gas arm of BASF, Germany's largest chemicals group, which also received 15 per cent plus one share.

·However, given Ruhrgas's close connections with the municipalities, VNG is effectively dominated by the Essenhased company - "Ruhrgas controls 60 per cent of VNG. You could have had competi-tion had Wintershall received equal shares to Ruhrgas," says Mr Herbert Detharding, chair-

After bitter wranglings with the Federal Cartel Office, at which Wintershall in particular tried to increase its stake as a means of breaking down the monopoly structure, and endless disputes over the price to be paid for Russian gas sales to VNG, the ownership structure for VNG remains unchanged and stable and guaranteed gas supplies are now finally in

To meet this extraordinary growth potential. VNG has emharked on an ambitious modernisation programme. It entails converting town gas production plants - currently fed from a low quality gas - to natural gas; the construction or conversion of long-distance

Gas privatisation benefits are disputed

High pressure policies

he Treuhand privatisetion agency and the government in Bonn have succeeded in modernising east Germany's gas network. But if they also aimed at a truly competitive industry they have

in the opinion of the Londonbased Royal Institute for International Affairs, "domination by west German companies (in eastern Germany] meant a missed opportunity to strongly boost competition. As yet, no clear benefits for small con-

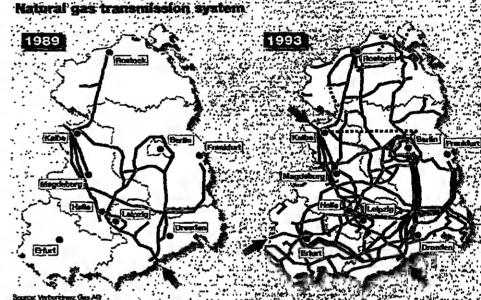
This missed opportunity occurred in the summer of 1990 when Verbundneztgas, or VNG, east Germany's gas transmission company, was placed under the Treuhand. The sgency allocated 35 per cent of the shares to Ruhrgas, Germany's largest gas company, and 10 per cent to Brigitta Erdgas-und Erdől (BEB) in Hanover. (Ruhrgas also has

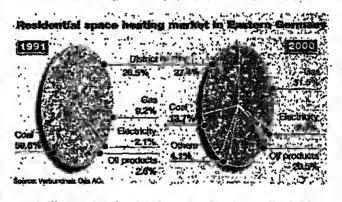
Under pressure to open up the remaining shares to non-German gas producers and transmission companies, the Treuhand finally distributed

man of Wintershall.

place for eastern Germany. Eastern Germany's gas sec-

tor has enormous potential, largely because growth is com ing from a very low base. This is because the former east German communist regime relied beavily on brown coal, or lignite, to fuel the manufacturing sector and industrial sector Until unification, lignite eccounted for over 70 per cent of the primary energy market, and natural gas a mere 10 per cent; for domestic consumers the ratio was about the same. Several studies, including reports drawn up hy the life economics institute in Munich, Prognos in Basle and Esso in Hamburg, reckon that gas consumption in eastern Germany is set to increase from 56bn kllowatt-hours, to between 200bn and 225bn kwh by 2010.





s pipelines and regional and local pipeline systems; the conversion of underground town gas storages; and the conver-aton of gas heaters, cookers, and other gas-fired installa-

Mr Wolfgang Eschment, a member of VNG's board, says 820,000 households, the equivalent of a third of east Germany'e 2.8m users of town gas, had already been converted to natural gas hy 1992 and a further 1.2m by the end of 1993 -"by 1996, I reckon we will have converted about 80 per cent of all these customers.

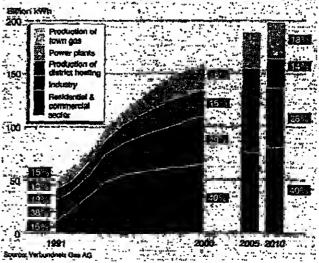
VNG, backed by Ruhrgas. did not waste time in finding new customers. The fact that VNG had close links with the municipalities - who are represented on VNG's board meant that they could win contracts without undue competi-tion in the towns and cities. In addition, to ensure almost hlanket control over the gas sector in many municipalities, VNG has obtained sizeable stakes in energy companies. particularly in Leipzig, one of the lastest growing economies in eastern Cermany. It has also supply 100 per cent of natural gas needs, apart from Leipizg, to other cities, including Halle and Freiberg. Since 1991, the integrated gas

ipeline system operated hy VNG, and Erdgasversorgungsellschaft, or EVG, the Leipzig-hased gas transmission company in the states of Thuringia, Saxony and Saxony-Anhalt in which VNG has e 50 per cent stake, exceeded 4,495km. The two companies operate an integrated gas pipe-line network of more than 8,800 km. A report by VNG estimates that with these pipelines in place, by 2000 its new customers will include a third of all dwellings in eastern Ger-

VNG's two underground facilities of Ketzin and Kirchheilingen have also been converted and others have been expanded providing total storage capacity for VNG of about L82bn cubic metres by 1992, while the first pipeline connection with Poland was constructed in late 1992. Despite the conversion pro-

gramme, sales of gas have yet

Demand for natural gas in Eastern Germany



to stabilise. VNG's total sales in 1992 amounted to 85.8br kwh: some 8 per cent less than in the previous year. Of this amount, sales of town gas fell by 31 per cent to 13.4bn kwh, as households started to switch

to natural gas.

VNG admits that neither new nor existing customers can help compensate for the sharp fall in sales of industry, caused largely by the collapse of eastern Germany's manufacturing base. "But there is no doubt about the growth potential of the region's gas industry," says Mr Eschment. "Our customers know we give them an excellent back-up eervice and a good price."

But are the consumers being

Despite limited entry into the tightly-controlled market by British Gas and Winterehall, VNG, and its patron, Ruhrgas, do not face any serious competition. Moreover, the way in which gas is distributed in eastern Germany means that the consumer pays a heavy price for gas.

As in western Germany, Ruhrgas sells its gas to distributors, which, as is the case in the east. The distributors in turn sell the gas to the munici-palities, which are responsible for distributing and selling gas and electricity to the consumers, and where the eventual price of gas is set. Essentially, the consumer ends up paying for two sets of middlemen.

What Wintershall wanted was to sell gas directly to the eastern consumer, thus making it cheaper. But given VNG's close relations with the municipalites, and since the cities themselves have the concessions rights enabling them to issue permits for anyone entering the transmission grids, the chance for the east German consumer to exercise choice in price and supplier

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has been severely limited For his part, VNG's Mr Eschrestructuring of the gas sector eastern Germans have gained an efficient and modern network backed by investments totalling DM346m in 1992. This includes DM160m targeted on the construction or extension of natural gas pipelines, and DM56m on engineering and

telecoms equipment. German unification and EC integration: German and British perspectives. Editors, Barbara Lippert and Rosaline Stevens-Strömann. RIIA/Pinter

The barbed wire remains

Germany had not yet been taken down. The road and border crossing signs needed a cost of paint. But the Polish border guards were no longer

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uction in

; sector

They casually inspected my passport. Perhaps they were more interested in the traders close to the bridge which connects the German and Polish sectors of Görlitz (the Polish part is called Zgorzelec). Energetic young Polish men were trying to sell cartons of ciga-

As the thick cold fog gave way to heavy rain, I crossed the bridge over the river Neisse from Poland to the German side of Görlitz, an old merchant city once granted trading privileges from the King of Bohemia

Located in the south-eastern corner of eastern Germany, the city had been divided after the second world war, when the and Neisse (which flows through Görlitz) became part of Poland's new western border. With the collapse of the Iron Curtain, the German half of the city is trying to find its place in the new united Germany. At the same time, the gap between Goritz and Zgorzlec is widening, particularly

We want investors to use Görlitz as a stepping off point for Poland'.

in infrastructure, thanks to assistance from Bonn and the . the map and attract investors bere," said Mr Jorg-Peter. Thoms, an official responsible

for construction and economic

issues at the city's local coun-Before German unification many of Görlitz's 88,000 people were dependent on Deutsche Waggonbau, the large rail carriage manufacturer which employed 3,300 but today has fewer than 1,650 on its books, the textile industry, and the electricity complex af Hagenwerder, which will be closed

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down by 1997. --"There are investment opportunities and the state of Sax-ony offers financial incentives for anyone setting up business said Mr Thoms, The city had DM14m-15m in grants for the centre itself, but investment had been sluggish. "We Pentacon camera factory. But have to improve the routes it was forced into liquidation into Görlitz." he explained. adding that once the A4 motorway was complete, and the train services improved, this mistic, but there's not much extraordinarily beautiful city. left of the old Görlitz in terms one of the few in eastern Ger. of local industry. The textile

Before the collapse of East Germany, actors at the Deutsches Theater in Berlin led a life which their col-

leagues in the west could only dream about. Every night the auditorium of the

Even better than the thrill of performing

ences took a keen interest in every word

and movement in a studied search for any deeper meaning. Celebrated on stage, the actors and their directors also enjoyed a

life outside the theatre as bohemian types.

who were not expected to conform to the

Today, like every other sector of east

German society, the members of the Deut-

sches Theater are having to adapt to the

rigours of capitalism. Lively artistic types they may still be, but their theatre is often

just over half full. The days when drama

was everything, and finance just a series

of figures are over - "the main thing that

everyone talks and thinks about now is

money," says Maik Hamburger, the thea-

Money is something everyone involved

rigours of state socialism.

tre's literary adviser.

he rusty barbed wire been spoiled by crass commu-separating Poland from nist pre-fabricated architecture, would prosper. He is also waiting for an end to the recession in western Germany.

Recession apart, investment in Görlitz is also linked to resolving the outstanding property questions. Although investors have priority over restitution, compensation claims by former owners continue to act as a brake on investment.

Ms Annette Kreisch, 25, is the acting head of the Property Rights office in Görlitz. The office has had no department head since last October, when the last one, a west German lawyer, left, the third to do so since late 1990.

Since that time, the inadequate staff of 22 people - all east Germans - and all confronted with complex legislation on property rights - have had to deal with more than 6,400 claims. By early 1994, the office had resolved 2,300 of them. It is estimated that the remaining 4,100 cases will require at least another four

"We are faster than some other offices in eastern Germany," said Ms Kreisch. But some claimants, including Mr Frederick Kaufmann, who had to leave Görlitz in 1938, have been trying nearly four years to get their property back.

The local Chamber of Com-

merce, or IHK, says the prop-erty rights issue is not holding investment. "Investment, in the form of services, and even manufacturing - Siemens, for instance, has bought the Turbinenwerk here - will pick up once the infrastructure improves and the recession ends," said Mr Bernd Flamminger. The IHK'S members have invested DM153m since 1992. "You see we want investors

to use Görlitz as a stepping off point for Poland, as well as to countries in the former Soviet Union, It makes sense. By using our city as a base, companies can do business with eastern Europé." Officials at the IHK are all too aware that Görlitz has to compete with Leipzig, one of the fastest growing cities in eastern Germany, and Dresden, the state capital of Saxony.

"Look, it's the unemployment that gets people down," said Mr Klaus Ulrich Eisenhammer. Mr. Eisenhammer office, a modern bright building which was home to the and closed after unification with the loss of 1,500 jobs.

"I don't want to sound pessimany whose centre has not enterprises, which onca



The historic merchant city of Göritiz offers new incentives for investors



Building confidence: Matthias Lectner, the energetic mayor

employed 2,000 have closed. Women have borne the brunt. Two out of every three people unemployed are women," he

The employment office, vhich also serves nearby Bautzen, last year spent more than DM3bn supporting the unemployed and those on goverrment-supported job creation and retraining schemes and those who had taken early retirement. "There were 6.196 unemployed. If we add the other class of unemployed, thosa on the government schemes and short-time work. we have an additional 7,000 people. That's a lot of people, said Mr Eisenhammer, who admitted that the really secure jobs were at the employment

He was hopeful about one thing - "we have to rely on the small craftsmen and traders to soak no some of the unemployed. That's a real plus, especially as more and more people, and former owners renovate their houses and investors modernise offices. But you know because of border zone regulations, contractors here can legally hire Polish workers from just across the border and pay them far

Across town, Mr Roman Müller, managing director of Deutsche Wagonbau, or DWA. knows how much the people of GOTHEZ pends on the 145 year-old railway carriage manufacturer. Unlike other Treuhand enterprises, DWA makes money. Consolidated profits for the group weres DM23.3m in 1992 on a turnover of DM3.6bn. with the Görlitz hranch accounting for DM16m. Despite selling only to the east German and Russian market before unification. DWA Gorlitz has man-

aged to earn half its last year's turnover of DM420m from the German market. Retaining the current levels of employment, just under 1,700, will depend on how the Treuhand privatises DWA - as a whole or in parts - as well as orders from Rus-sia. The shortage of hard currency in Russia has meant that

the management in Görlitz has

placed more than 400 of its employees on short-time work. Gorlitz needs someone like Mr Matthias Lechner, its energetic mayor, to instil hope and a sense of perspective. But the 42-year-old aspiring politician, is no idealist. Before unification he belonged to no party and now belongs to Chancellor Halmut Kohl's governing Christian Democrats. He has few illusions about the time it will take to restructure indus-

try, as well as build a new political infrastructure. Since May 1990, he had spent at least 12 hours a day trying to rebuild confidence among a community suffering from 35 per cent unemployment, if one takes into account all the people on retraining and job-creation schemes.

What surprises him was "how quickly people forget the past. It's only four years since unification, yet people some-times think the old days were better. It's a strange phenome-

One of the greatest difficulties facing Mr Lechner is per-suading people to become politically engaged - "you need a lot of time for politics now. I don't think people want to spend that much time, particularly since politics means accountability. When the council, for example, wants to raise the price on the public transport in order to pay for infrastructure costs, we were faced with a lot of complaints and naturally we have to explain all our decisions. Money is precious. We have to be careful

how we spend it." According to Mr Lechner, the debts of Görlitz amount to DM1,240 per capita of the local population, a level typical of other eastern German towns and cities. "We have a credit line of DM100m from the banks and a separate budget of DM250m. But our tax revenue income is only about DM30m. Reaping results from local government politics is a slow pro-

"You have to remember that people were so politicised in the old sense, that after unification they simply withdrew and tried to cope with unification and the traumas thrown up by it."

again as mayor in next June's local government elections, believes be can muster enough support to win, although he and his deputy, Ms Renate Schwarze who represents the opposition Social Democratic Party - bave few party activists upon whom to rely. The CDU in Görlitz has 250 paid up members; the SPD, 80.

investment case study: SMI Microelectronics

Long way from Santa Clara

SMI to grasp what is taking place in this US-backed microelectronics enterprise at Markendorf, near Frankfurt an der Oder on the Polish border. Through the windows on one side of the room one sees the remnants of eastern Germany's old microelectronics industry. It is a big workshop, decked with large computers, some covered with plastic sheets. On the other side of this insulated room is a small, modern testing station installed last year and poised to supply

The east German engineers, dressed like surgeons, quietly pass from one old world of increasingly out-dated technology to the new laboratory. They are symbols of transition taking place in the east Ger-

its products to the European

man economy. But it has been a hard slog for Mr George Brown, the director of System Microelectronic Innovation, or SMI, and a far cry from Synergy Semi-conductor Corporation, his parent company in Santa Clara, California.

"It has been slower than we expected, but we are getting there," said Mr Brown, whose offices overlook what was once eastern Germany's main microelectronic enterprise.

In a search for more capacity, the US company bought a 49 per cent stake in the old VEB Halbleitwerk from the Treuhand privatisation agency in March 1993. The Kombinate, or enterprise, used to employ 8.000 people and was one of the main enterprises supplying the circuits for the east German consumer market - mostly for television sets.

But following German unifi-cation, the collapse of the east European and Russian markets, and the exposure of the Kombinate to competition, the Treuhand pared down the work force to 1,200 and set about preparing it for privatisation.

Mr Brown, whose US company was also seeking a foothold in Europe, eventually reduced workforce of little more than 600. Boosted by investment grants from the eastern state of Brandenburg and from the federal governthe Treuhand to pick up losses and redundancy payments, he agreed to initially invest DM45m for new equipment to produce ECL logic devices and ECL RAMS, used mostly in radio equipment. Initially it hed been hoped

that SMI could continue to hold on to some of its east European, Russian and east manager of the enterprise,

for almost 100 per cent of the company's turnover. But the shortage of hard currency and the need to find a niche in the European market meant that Mr Brown had to reverse the company's strategy towards

The first year was spent on completaly modernising the plant, and introducing new product lines. This meant training the engineers, either in Santa Clara, or bringing over US engineers to SML During this time, the compa

ny's turnover to the eastern European and local east German market virtually collapsed, falling from DM70m in 1991/92 to nil by the end of last

"We now have only ona option. We must continue to invest, and heavily. What we are bringing here is technology, knowhow and a new product idea. But it will take time

ou only have to stand in German customers, which wants SMI to evolve into a the small "clean" room at before unification accounted business anchored on subcontracting. The raison d'être of the enterprise is to develop and market its own products, particularly analog designs - cir cuits for radio-controlled clocks, power switches and high frequency integrated circuits for telecommunications.

"Foundry business is very competitive. But it is a fairly low margin business," said Mr Lösel. "You can't build a business on it alone. We need high value-added products and innovative products which can ultimately create high technology

Through their investment programme, Mr Brown and Mr Lösel want to enter the high end of the market. In short, they want to adopt the "leap-frog" approach, whereby they can skip the intermediate technology by introducing the highest levels of innovation. But the sprawling 1 sq km large site which they have



High technology environment: SMI's 'clean room' at Markendorf

said Mr Brown. Like the "clean room", the company finds itself in a finely balanced period of transition. As testing takes time, and money - it has already received quality certification for one of its locally produced integrated circuit lines - it must utilise its capacity to gain turnover before new lines are ready for full production. Currently, the plant is operating at 20 per cent capacity.

But increasingly, as invest-ments lead to production, SMI is subcontracting as an interim measure – "we have five foundry customers, some for Europe, others for the US," said Mr Brown, adding that SMI is trying to attract compa-nies which have neither enough or no capacity for production. Already SMI is supplying Gruna automobile manufacturers with its products. Sub-contracting now accounts for nearly markets. Maybe we did not two-thirds, or DM18m, of SMTs. anticipate the recession in Gerturnover and capacity is expec-, many," said Mr Brown. "But ted to reach 50 per cent by the . we have extra capacity here end of this year. Turnover for and we have Europe as our this year could reach DM46ar But neither Mr Brown nor

Mr Max-Eberhard Lösel, the

easily to the leap-frog theory largely because SMI, unlike some other west German electronic companies, was not in a position to acquire a greenfield site and build a completely new company. This means that tha first two years will he spent modernising, updating and equipping SMI with new technology.

"What we want to do here requires a different know-how. We need to work much more efficiently to cover costs. We are even occupying more space than we need," said Mr Brown. That was why SMI's manage ment was interested in acquiring partners.

It has been a slow process, but Mr Brown and his colleagues reckon that by the end of 1994, its own new products will be on line. "It has taken the complete collapse of the east European and Russian market and that's where we are heading."

Judy Dempsey

A different life without Big Brother

Frederick Studemann on how capitalist realism came to the theatre

impressive neo-classical hulding near the Friedrichstrasse station was packed. to a full house was the fact that the audi-

During that time the relatively generous hand of an omnipotent central government has been swapped for that of the cash-strapped local authorities. In line with the country's federal system, cultural funding in Germany is today carried at the regional, or state level.

In the case of the Deutsches Theater, it is the city of Berlin that provides the lion's share of the theatre's budget. Subsidies to the theatre this year are DM32.67m. Last year, they were DM29.76m. But box office receipts in 1993 only amounted to DM2.4m and this year they expect DM3 im, with an andience capacity of 72 per cent.

Although the city of Berlin has earmarked the Deutsches, as it is known, as its show-case for classical drama, and therefore deserving of substantial funding, with culture in eastern Germany has had it is still on a much shorter leash than in

to seriously think about in the last four the past. Then no one really bothered with costs as it was always assumed that the state would provide extra funds if neces-

> Now, for the first time, the Deutsches has taken the step of taking a production off for financial reasons. Ironic play in question, Eugene O'Neill's The Icemon Cometh, was reasonably successful. It was taken out of the theatre's repertoire programme because there was no money to pay for the storage of sets between performances.

> Mr Hamburger now worries that financial pressures will cut the quality of the theatre's work, and lead to a situation where once again artistic policy is curtailed by outside considerations. The danger is, Mr Hamburger believes, that the overt political censorship of the communists is being replaced by the dictates of the box office. "There have been internal

conflicts over whether we should make more artistic concessions or not. The management wants plays with a large popular appeal, but the artistic side is keen to do more exciting stuff," he explains.

This internal tussle is of course about more than just the filling of seats. To many of the members of the 170-strong staff of the Deutsches' company, it is also about the perceived threat of westernisa-

s far as the audience is concerned A this change has already taken place. Since the Berlin wall fell, the audiences at the Deutsches have been increas-ingly made up of people from west Berlin, attracted by the theatre's reputation and its grand appearance. On an average night the audience make-up mirrors that of Berlin as a whole - two-thirds western, one

What they get to see is a culture in transition. Under the communists, theatre performed a unique role as an unofficial form of the media. Plays which were seemingly devoid of all political or social content would be reworked to give them a

Audiences were trained to see an elaborate critique of totalitarianism in a few lines of Goethe, to see Hamlet turned into a symbol of the painful indecision and self-obsession of the opposition dissidents

Now such tactics are redundant - "the actors say that today the audiences are reacting on a more direct level to the texts and not looking for hidden meaning," says Mr Hamburger. This means that the Deutsches is now looking for new forms of subtlety. This is a process that can be quite exciting to watch. Recently, for stance, the Deutsches put on a play by

for his mastery of subtlety. Getting to grips with this very western work was tough. "We found it quite hard because we do not have this taste for deep inward searching and most of us do not find it important," says Mr Hamburger. Other attempts to combine east and

Botho Strauss, a western playwright noted

west have produced surprisingly topical results as shown by the production of Tankred Dorst's play Herr Paul which is currently in the repertoire programme. Dorst, a west German, originally began working on the play in the 1960s. Set in 1950s west Germany the play is the story of an old man who lives in a soap

factory who is faced with eviction by the building's youthful owner who is keen to redevelop the site. When Dorst began writing the play it was intended to show the fundamental changes taking place in post-war west Ger-

Now on stage at the Deutsches it has acquired a totally different quality as anyone who has followed the complicated issue of property rights in eastern Ger-

man society, the conflict between the old

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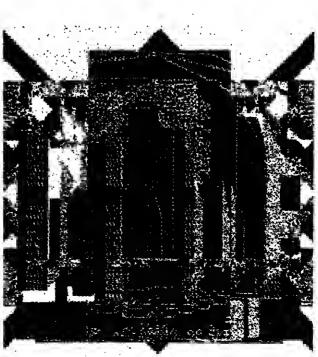
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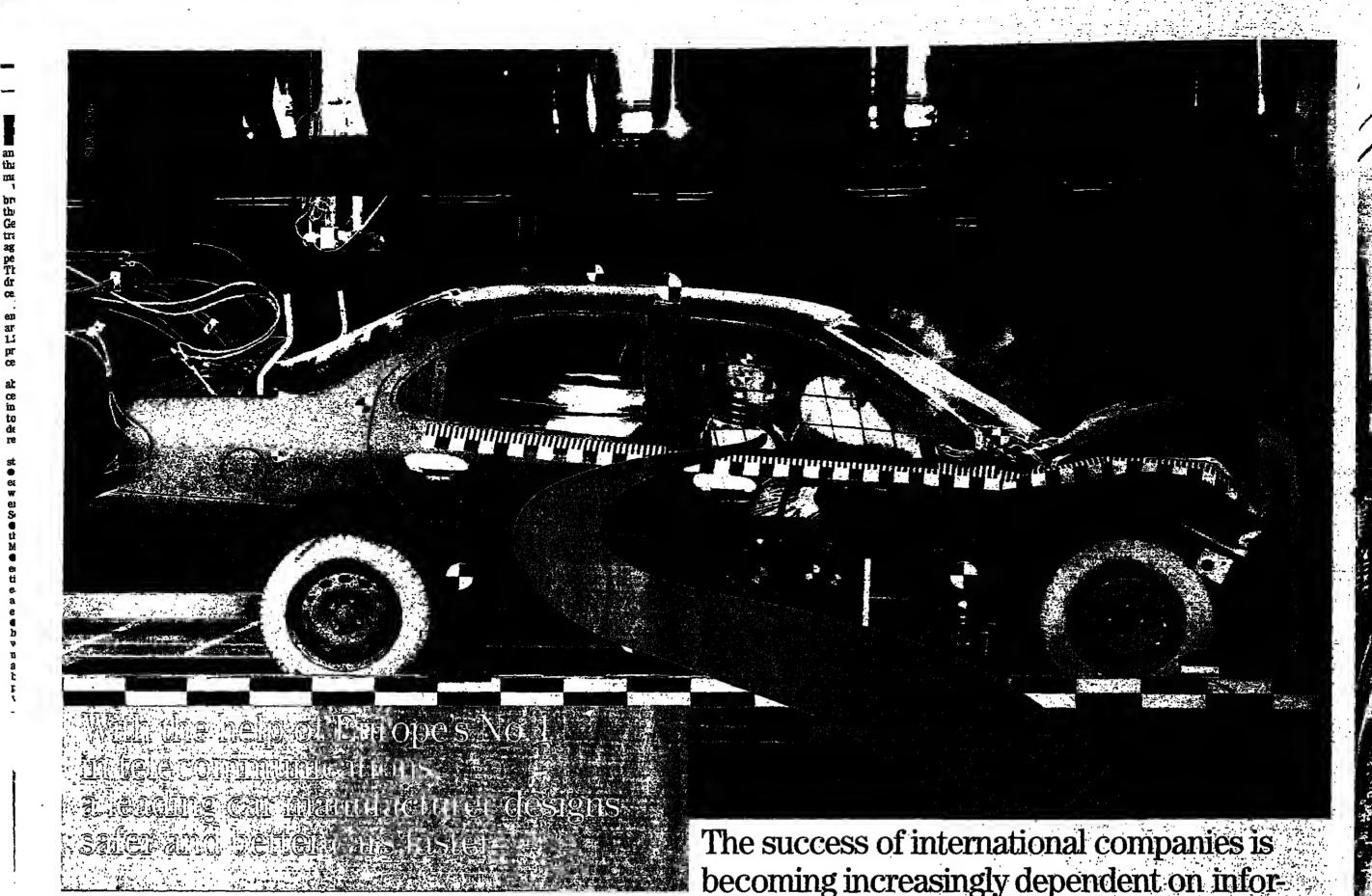
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mation logistics. That's why more and more of these companies are taking advantage of Telekom information management systems. One particularly good illustration of this is the Telekom contribution to the WAN (Wide Area Network) project at Ford Motor Co. This world ride data network, which links all Ford national and international operations, was set up and running in the shortest possible time. Its objective: to create a cost-efficient communications system. One feature is its ability to transmit the results and data of computer-simulated crash tests to and from the company's research and development centres based in Cologne (Germany), Dunton (England), and Ford's supercomputer in Detroit (USA). Compared to real-life testing, this dramatically cuts down the time it takes to acquire vital design information. To successfully complete this project, Telekom undertook all negotiations with the various international telecommunications authorities, created a special project team to investigate all project-related requirements and coordinated all the transmission channels to suit the customer's demands.

WAN is now an effective and competitive business tool in Ford operations. It has not only cut communications costs but has also significantly streamlined internal communica-

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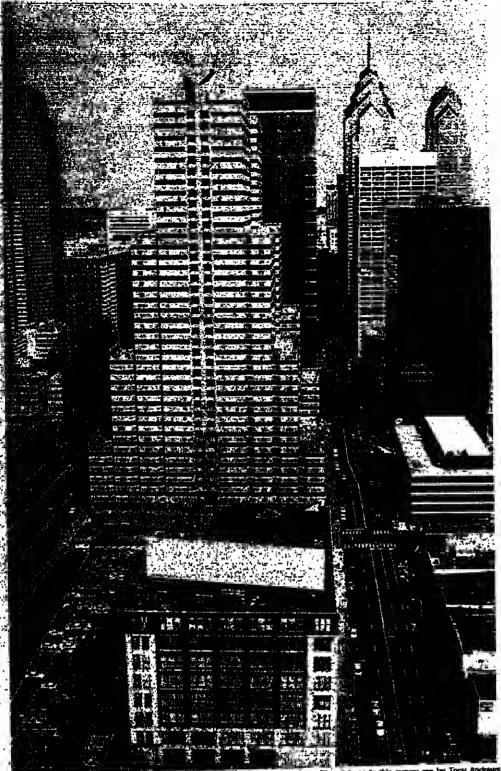


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Wednesday May 4 1994



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ions.

"Philadelphia", a Hollywood movie about a lawyer with Aids who sues his firm for umfair dismissal, was released last year to rave reviews. Tom Hanks won the best-ector Oscar for his performance as

the lawyer.
The film was made almost entirely on location in Philadelphia, and the city has a story to tell of its own. Phila-delphia's story has earned rave reviews, too, and its leading man, Mayor Edward Rendell would win an Oscar for best mayor if awards were given for municipal governance.
The Philadelphia story is

about a city that comes back from the brink of disaster to emerge as a bright spot on the sometimes bleak landscape of urban Americe. Three years ago, the city faced financial ruin. Today, it has recovered to a point where the city will soon report a budget surplus for the second consecutive year. Jobs growth in the metropolitan region is picking up after a prolonged slump, and a huge new convention centre is attracting thousands of visitors to the downtown area. Philadelphians, notoriously difficult to please, are now proud of

The contrast between the current bright outlook, and the dark days of the early 1990s, could not be greater. At the start of the decade, years of falling local payrolls, a shrinking tax base, declining federal assistance, local political gridlock, an ever more costly city bureaucracy, and swelling social problems had reduced Philadelphia's finances, and its self-esteem, to tatters.

By early 1992, the situation had deteriorated so far that the city faced a deficit of \$230m, out of a budget of \$2.4bn. Philadelphia could not meet its bills, and the rating on its bonds had been reduced to the level of junk by Wall Street.

In January 1992, Mr Rendell, Philadelphia's newly elected democratic mayor, understood that the situation was desperate, "In USA Today [a national newspaper] on the day I was inaugurated, there was a little blurb on the front page that said I would inherit the worst municipal financial borror

Rescued from the brink of disaster

The municipal budget has been restored to health, writes Patrick Harverson. Now the city hopes that the continuing loss of jobs can be halted

story in America. When I read that, I almost told the fellow who was driving me to the inauguration to take me down to Atlantic City so I could blow off the day and play the blackjack tables.

Mr Rendell resisted the temptation, not least because he had campaign pledges to keep. He won the mayoral election after promising to do what previous administrations had never done: cut spending to balance the budget, reform municipal government, and do everything possible to promote economic development in the

At the heart of the city's immediate problems in 1992 was the escalating cost of local government. With the crucial support of John Street, the powerful president of the city council, and after facing down a brief municipal workers strike, the new mayor eventually won a series of money-saving concessions from city unions. They included a twoyear pay freeze; a reduction in paid public holidays; big changes in work rules and practices; agreement on the privatisation of some city services; and cuts in union health

The concessions cut almost \$100m from the city's annual budget, Along with \$84m in savings achieved from management streamlining, Mr Rendell was on his way to balancing the budget. As he now proudly recalls: "By June 30, 1993, 18 months after we started, we had a \$3m surplus. And we did it without raising one mickel of

Solving the budget crisis was important not just in purely financial terms. After years of mismanagement, the image of

a competent municipal govern-ment et City Hall helped repair Philadelphia's tarnished image, in the eyes of locals and those

After balancing the budget, the Rendell administration wasted little time in building on its success. The savings from the union concessions were part of a five-year fiscal plan intended to ensure the city's finances were stabilised over the long term. The plan was praised on Wall Street, which has since raised the city's bond ratings to just

IN THIS SURVEY ☐ Municipal superman

☐ Rival ports merge

☐ The financial sector ☐ Currency options ☐ Biotechnology abounds 3

□ Corporate profiles □ Why tourists matter

☐ Key facts for the visitor 5 below the level of junk, and won the approval of the Penn-

sylvania Intergovernmental

Co-operation Authority, the

state agency which - in return for budgetary oversight - has helped raise funds for the city during its crisis. That the five-year plan is still on course has a lot to do with the revival in the fortunes of the local economy. After lagging slightly behind the rest of the nation, employment in the

ing for the first time in three Local economists hope that jobs growth will prove sustainable. The greatest strength of the Philadelphia region's econ-

metropolitan region is now ris-

wound. And we've done that. We've basically righted ourselves. We're not Beverly Hills, or some fat-cat city, but we have gained significant control over our costs. Now, the ques-tion is: what's the story with the economic base of the city?"

The story with the economic base of the city - as opposed to the suburbs, where business generally flourishes - is that jobs are still being lost at too rapid e rate. Philadelphia's employment base has suffered the loss of 263,000 jobs since 1970, 110,000 in the last seven inated by heavy manufacturyears alone. That is too many ing, the metropolitan area is jobs gone in a city with e total now home to a broad spectrum population of only 1.6m (out of sses, including e par-5.7m who live in the entire ticularly heavy concentration of healthcare, pharmaceutical

omy is its diversity. Once dom-

and bio-technology companies.

Industries also represented in the region include oil and

chemicals (Sun Corporation,

Rohm & Haas), telecommunica-

tions (Bell Atlantic), computer

technology (Unisys), food man-

ufacturing (Campbell Soup, in

nearby Camden, New Jersey)

and finance (Cigna, CoreS-

While many of these are located outside the city centre,

downtown Philadelphia is

enjoying its own renaissance.

The new \$523m convention

centre is providing a boost to

local businesses. Tourism is on

the rise, and \$280m will soon

be spent on developing an "Avenue of the Arts" in the

heart of the city. Also, there

are hopes that by late 1995, riv-

erboat gambling will arrive on

has its dark side. The city has

its fair share of urban ills -

high rates of poverty, unem-

ployment, crime, homelessness and drug abuse, and poor qual-

ity public education. The scars

of neglect in many of its neigh-

bourhoods are as bad as any in

Mayor Rendell, often critic-

Yet the Philadelphia story

the Delaware River.

urban America.

tates).

metropolitan region). Next year, Philadelphia will lose about 7,000 more jobs when the Pentagon closes the naval yard. As Mr Rendell says: "We need to generate the type of economic development that will employ local people. If we don't do thet, with all the successes that we have achieved in Philadelphia, we're

not going to make it." Todsy, Mr Rendell hopes that a combination of local and national efforts will break the 25-year trend of declining employment. On the local level, the edministration has launched an economic stimulus programme which will spend \$1.5bn over the next three years to generate economic development. At some stage, that programme must include lowering the city's wage tax, which is so unpopular with local businesses. On a national level, Mayor Rendell hopes that the federal government will adopt a new urban. agenda that provides not financial aid, but a range of incentives to lure private sector businesses back into the cities.

For all of its triumphs so far, building a lasting revival in the city's economy is the Ren-dell administration's toughest ised for paying too little attenchallenge yet. As Mr Peter tion to the problems of deprived areas, knows the Hearn, a former political opponent of the mayor and a leadhardest task is ahead. In the ing Philadelphia lawyer, puts past, he has likened the probit "The mayor has hit a grandlem to a man suffering from slam home run in each of his cancer and a gunshot wound. first two years. But to really As Stephen Mullin, the city's have an impact on Philadeldirector of commerce, explains: The first thing you have to do is deal with the gunshot phia in the long-term, he has to do that every year."

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- Fortune ranks Philadelphia in the top ten "Best Cities for Knowledge Workers."
- Greater Philadelphia has more than 80 colleges and universities with 50,000
- Philadelphia's seven schools of medicine, 24 teaching hospitals, and numerous advanced research institutions support the growth in the region of many of the world's leading pharmaceutical and biotechnology companies.
- Many of America's leading information and communication technology companies, including Bell Atlantic, Comcast, National Media, QVC, Shared Medical, Vishay, and Unisys, are headquartered in Greater Philadelphia.

• The most recent FBI Crime Index ranks Greater Philadelphia as the safest of the 12 largest U.S. metropolitan areas.2

HAPPIER

- Greater Philadelphia ranks third in overall livability out of 343 metropolitan areas in North America surveyed by Places Rated Almanac.3
- The Almanac is the "Guide to Finding the Best Places to Live in North America," and compares areas for living costs, job outlook, housing, transportation, education, health care, crime, the arts, recreation, and climate.

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(1) Fortune, Nov. 15, 1988 (2) FBI Orime Index per 100,000 population (Chicago not ranked) (8) Places

Municipal superman rescues budget

Patrick Harverson traces the impact of a mayor who is admired throughout the US

He is riding high in the opinion polls, and is the subject of almost universally positive coverage in the media. Everywhere he goes there are warm greetings and words of encouragement. He is now so well-known nationwide that he has been dubbed "America's Barring disaster, he will win

re-election by a landslide next year. He has even appeared in a Hollywood movie starring Oscar-winner Tom Hanks. Meet Mr Edward Rendell,

mayor of Philadelphia, probably the most popular politician in the US today. In his 27 months in office, Mr

Rendell has earned a reputation as one of the the most effective mayors in the US. During his term, Philadelphia's finances, so desperate in 1992, have been restored to good bealth. The city is now poised to announce its second consecutive budget surplus, and the pace of local economic growth

is finally beginning to pick up. The flight of jobs from the city and region has not been stopped, but it is slowing. Philadelphia's relations with the Pennsylvania state capital of Harrisburg, and with its neighbours across the Delaware

A 'new Democrat', he's a conservative on fiscal policy, but a liberal on social policy

River in New Jersey have improved greatly. And with the heip of its pro-business mayor, the city has won the support of a once-hostile local business community and the respect of Wall Street, where Philadelphia's bonds may soon lose their "junk" rating. Perhaps as important as any-

thing else, Mayor Rendell has restored Philadelphians' faith in their local government, Mr Peter Hearn, partner at the law firm of Pepper, Hamilton and Scheetz, and Mr Rendell's principal opponent in the race for the Democratic nomination prior to the 1991 mayoral election, says that the mayor is extremely popular because he has proved that local government can work. "This has been a wonderful demonstratioo of good government being good

Admirers also claim that Mr Rendell's growing national stature - he enjoys a close personal relationship with President Clinton - is helping the city. Mr Bob Hall, publisher of the Philadelphia Inquirer and Philadelphia Daily News, says: "His popularity outside the region, and the demand for him as a speaker to mayors' groups, or other political groups, or urban developers, is such a plus for the city. I don't recall another mayor of Philadelphia ever enjoying that national recognition."

So who is this municipal superman?

A native New Yorker, the 48year old Mr Rendell is a lawyer who has spent all of his political life in Philadelphia. First elected to public office as the city's district attorney in 1977, he ran for governor of Pennsylvania in 1986 and mayor of Philadelphia in 1987. Although he lost both campaigns, be came back strongly to win the November 1991 mayoral election by a landslide on a campaign of fiscal reform.

Although a registered Democrat, his appeal crossed traditional party lines. Like many other so-called "new Democrats", he is a conservative on fiscal policy but a liberal on social policy. He believes that many city services can be improved through privatisation, and that government has to be pro-business if it is to attract and keep jobs in the

Nationally, Mr Rendell may be lauded for engineering the city's financial recovery, yet he is quick to praise his partners government, in particular, he relies heavily on his main political ally, Mr John Street, the president of the city council. "I do not deserve, by any means, the lion's share of the credit," says Mr Rendell. "We've received wonderful support from the city council, and from it's president John Street.'

The mayor's championing of Mr Street is not just political rhetoric, In Philadelphia, the offices of mayor and city council president have traditionally been occupied by politicians pursuing separate agendas and



serving different constituencies. For most of the time, it was a recipe for political grid-

When Mr Rendell arrived in office, however, he found in Mr Street someone equally deter-mined to end decades of political and financial irresponsibility. Some say that Mr Street has proved the more fiscally conservative of the two. Since the first day of Mr Rendell's term, they have worked in harmony to rebuild the city's finances, constructing a fiveyear fiscal plan that has been greeted with universal praise.

Mr Fred Voigt, executive director of the Committee of 70, a local non-partisan political watchdog, says the importance of the alliance between the mayor and council president cannot be understated. Together, recognising the fiscal plight, they took steps that were absolutely necessary. They had to balance the budget, which meant hurting people, saying no to people. Yet, that [first] budget was passed 17 to zero. This last budget had only one vote negative, That's

A welcome by-product of the close working relationship between Mr Rendell, who is white, and Mr Street, who is hlack, is that it has helped the city avold much of the racially-

inspired political acrimony that has dogged so many US

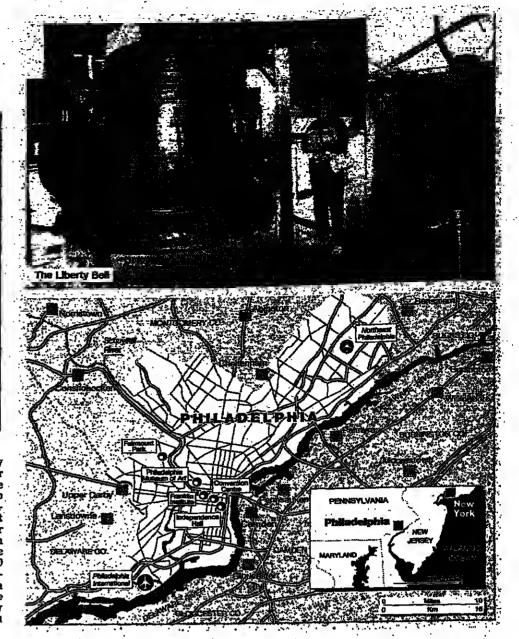
If all this sounds too good to be true, Mr Rendell does have his critics. The cuts in municipal expenditure that have helped him balance the budget since 1992 have come at a cost to some local services. Rubbish collection is now said to be less reliable, aid to museums and libraries has been cut, and the wait for non-emergency treatment in the public healthcare system has lengthened.

He is also criticised for focusing too much on Philadelphia's finances and not enough on its social problems, particularly in the deprived neighbourhoods just outside the city centre where living conditions are as bad as anywhere in urban

Mr Rendell counters that the longer-term problems could not have been addressed until the immediate fiscal crisis was first resolved. He knows that, having tackled Philadelphia's financial woes, he now needs to turn his attention to the more serious issues facing the city - too few jobs, too many poorly runs schools, and too much poverty, homelessness, and crime.

Yet, typical among the new hreed of big-city mayor, Mr Rendell does not believe urban

blight can be addressed by throwing more federal, state or city money at the problem. He sees economic growth and job creation, nurtured by government incentives aimed at attracting the private sector into the cities, as the long-term answer to urban social ills. He says: "If I could create 100,000 jobs paying the inflation-adjusted equivalent of \$22,000 a year. I could do more to reduce drug use and crime in the city of Philadelphia than if f had a thousand new policeman.



Old rivalries will be buried when two ports merge, reports Frank McGurty

New authority spans the river

The Delaware River is the axis which defines the Philadelphia region. The city and its neighbouring communities grew up around the wharves and warehouses that have thrived along its banks since the days of Wil-

At the same time, the Delaware is a natural barrier, splitting the region in two. The states of Pennsylvania and New Jersey have traditionally viewed the river as the demarcation line in a struggle over the spoils of the maritime

It is an age-old rivalry which is finally coming to an end.
After decades of political wrangling, a preliminary agreement to form a bi-state port authority was reached last December. The agency, which will co-ordinate the activities of publicly owned marine facilities on both sides of the river, is expected to hold its first board meeting in May. It is the first step in an merger process which will take two years to

complete. Proponents of unification believe the move will hone the region's competitive edge as a shipping centre. "The ports will put less effort into competing with one another and more into competing with other North Atlantic ports," says Joseph Menta, a spokesman for the

The new authority must decide which activities might be turned over to the private sector

Philadelphia Regional Port Authority (PRPA), which owns piers and freight terminals on the Pennsylvania side.

"The entire port community supports the move," says Mr Tom Kelly, head of the powerful Philadelphia Marine Trade Association, which represents about 40 private steamship and stevedore companies along the river. "It is something that had to happen if we were to remain competitive."

The ports of the Delaware Valley already rank among the st along the eastern seaboard. Taken together, their facilities handle some 70m metric tons of international cargo a year, more than any other port on the east coast, including New York, Baltimore and

Norfolk. More winter fruit passes through Philadelphia and Camden than any other port in the US, and they lead the eastern seaboard in imports of meat, paper products and steel Last year, when ports around the country were experiencing a slowdown, Philadelphia and Camden managed to increase

Still, the two sides have expended too much effort in fighting over the same cargo, port officials say. By underbidding one another, the rivalry effectively forced the states to take up more of the tab, in the form of higher port operating

Under a plan approved in December, the PRPA will combine its resources with those of its counterparts across the river, the South Jersey Port Corporation. The merged



The ports of the Delaware Valley already rank among the busiest along the eastern seaboard

Philadelphia and Camden, will become a subisidiary of yet another agency, the Delaware River Port Authority (DRPA), which operates a regional mass-transit system and four

The DRPA is already involved in promoting the regional ports through a network of international offices organised under its world trade division. But its role as trade ambassador created some confusioo among overseas shippers. At some point in negotiating a contract, the agency had to defer to the relevant state aothority, which would com-

The fresh approach is intended to bring more coherence to the task, says the Rev Nicholas Rashford, president of St Joseph's University in Philadelphia and chairman of the DRPA. "What is going to change is that the people on the operating level will be doing the marketing," he says.
"I think that will make us

much more effective. Even critics of the merger agree that the ports, with the DRPA's assistance, have done a good job of selling themselves, but some question whether the unified agency will do any better.

Leo Donovan, a consultant with Booz, Allen and Hamilton, recommended against the merger after conducting an early study on unification. "Both ports are thriving by competing in their own markets," he argues. Philadelphia movea large volumes of Chilean fruit, Aus-

tralian meat, Finnish paper and steel through its terminals, Camden, which lacks facilities to handle containerised cargoes, is strong in lumber, scrap metal and other bulk industrial commodities. The merger, Mr Donovan says, would not necessarily

make the ports more competitive against other regions and would not create the economies of scale necessary to make their operations more "The danger is that It would lead to a mooopoly which

would encourage 'feather-bedding and patronage in the staffing of the bi-state agency. says Mr Donovan. Competition between the two had kept workforce levels and labour costs in check, he says. Mr Rashford says Mr Dono-

van's criticisms do not take into account the principal benefit of unification - enabling the ports to consolidate their

Paul Drayton, executive director of DRPA, said the agency would make available \$300m over the next three to five years for port investment and other economic develop ment projects. The money will come from the huge cash surplus which the DRPA generates by collecting bridge tolls.

The agency has already made a big port-related investment with the construction of Amerport, an "intermodal" rail transfer facility opened on the Philadelphia waterfront two years ago. Amerport gives shippers of

intermodal containers - suitable for transport by rail, truck or ship - immediate access to three full-service railways linking the port with most of the US and Canada. The only terminal on the east coast offering such extensive rail connections, it has proved so successful that an expansion is

already being considered.

"The idea is to have one agency looking at the big picture, not two looking after their own narrow interests." says Mr Drayton. Instead of duplicating projects, the unified port authority would have the power to develop the two sides in a complementary fashion, he says.

But the DRPA has already raised controversy in its devel-

opment efforts. Some \$50m in financing was approved in the waning days of last year, with most of the money earmarked for projects unrelated to the port, such as a Philadelphia skating rink and improve ments to an aquarium in Cam17,0000

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Mr Drayton declines to comment on last year's spending decisions, which were made before his appointment. But he says the DRPA would make funds available for both types of development, although it was not holding out "an open checkbook".

"Infrastructural investment has to made in the port," he says, hut these are not the kind of investments in which you are going to see a direct return." Where the private investors were unwilling to step in, the DRPA would consider the broad economic impact of its spending decisions, he says.

But one of the tasks facing the new authority, in its role as regional development co-ordinator, is determining which of its activities, if any, should be turned over to the private

"For the region to prosper, it isn't important which operator gets the cargo, as long as someone in the area gets the cargo," says Joesph Diemer, a spokesman for the DRPA.

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GREATER PHILADELPHIA 3

In the financial sector, the region has a bit of everything, writes Patrick Harverson

Acquisitive CoreStates becomes a target

Like two other historic port cities on the eastern coast of the US, Philadelphia is a mature financial centre. But while New York is the focus of the banking and securitles businesses, and Boston is the home of the mutual fund industry. Philadelphia's financial industry is less clearly

Philadelphia does, however, have a bit of everything.

The city and outlying region has large banks: CoreStates is headquartered there: and several other big "super-regionals", such as PNC and Mellon of Pittsburgh and First Fidelity of New Jersey, have a strong presence in the city.

It has insurance companies: Cigna is one of the nation's largest. It has brokerage firms and investment banks; Jamey Mont-gomery Scott is the biggest local firm, and every major Wall Street house operates in the city. It has money management firms: the Vanguard Group, one of the largest mutual fund groups, has \$127bn under management. And it has the Philadelphia Stock Exchange, best known for its thriving currency options business.

Not surprisingly, the financial services sector is a big employer in the Philadel-phia area: CoreStates employs 8,400; Cigna 6,500; the stock exchange upwards of 3,000; and Vanguard 3,600, at its headquarters in Valley Forge just outside the city.

Banking, the largest single sector in Philadelphia's financial services industry, has an interesting story to tell. As in other regions, banks in the "tri-state" area around Philadelphia (Pennsylvania, New Jersey and Delaware) have been part of an industrywide consolidation process that has trimmed the number of banks through mergers, acquisitions and failures.

In the Philadelphia region, many of the

mergers were completed in the first wave of consolidation at the start of the 1990s. That was when larger regional banks began to expand by aggressively acquiring smaller ones in their area. The result was the creation of "Super-regionals" such as PNC and Mellon, both based in Pittsburgh, and First Fidelity, based in in New Jersey. CoreStates, Philadelphia's biggest bank with net income last year of \$327.9m and assets of almost \$26bn, joined in this trend during that period with its acquisition of First Pennsylvania. Yet the bank did not hit its stride in the acquisitions business until the past year, by which time the other super-regionals from the area had

exhausted their appetite for expansion. In the past eight months, CoreStates has spent \$1.15bn purchasing three banks (Constellation of New Jersey, and Indepen-dence Bancorp and Germantown Savings Bank of Pennsylvania) and one asset management company (Rittenhouse Financial

gomery, described the two banks as gems", and both will strengthen Corestates' presence in Pennsylvania. The Constellation deal, however, was another matter. Analysts were quick to

Terrence Larsen: 'no shark repellants'

Services of Pennsylvania) from within the

Two of the bank acquisitions - Indepen-

dence and Germantown - were widely

viewed as astute moves. Richard Law-

rence, banking analyst at Janney Mont-

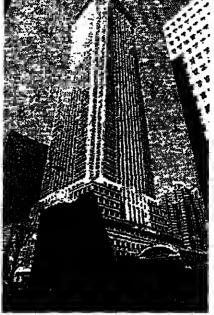
point out that the bank had its fair share of problem loans, and many believed the \$320m price tag was too steep. Terrence Larsen, chairman of CoreStates, says some of the Constellation deal criticism is valid "It was seen as being pricey and difficult, and I think that's a fair assessment. We paid full price for it, and we'll have to work very hard to make it work."

For CoreStates, however, Constellation "finishes what we need to do in northern Jersey," says Mr Larsen. The bank will be quickly merged into CoreStates' New Jersey National Bank affiliate. As for the problem loans: they will either be sold off

or taken as a charge against earnings.

Although the acquisitions were primarily about building CoreStates' retail franchise, the bank also has a flourishing wholesale and electronic banking business. On the commercial side, the bank focuses on servicing mid-sized companies in the region, with annual sales of any-thing between \$15m and \$20m, while in electronic banking it has long been an industry leader in providing cash management and transaction processing services to clients.

The bank also has a sizeable presence overseas, having stuck with its international business during the 1980s when other US banks pulled out. Funds transfer and trade finance are trademark busi-



nesses, and Asia is where CoreStates is enjoying the most growth. The one big question hovering over CoreStates is whether it can retain its

independence for much longer. It is the right size, and is sufficiently profitable to make it a tempting target for bigger banks, such as PNC, which has often been mentioned as a potential suitor.

Mr Larsen takes a sanguine approach to the issue. "I would like to think we're on

some people's list, sure. We're a very attractive franchise. But we're not interested in being acquired. At the same time, we have not put in place any shark repellants, and I've never refused to talk to

While CoreStates stands out among hanks in Philadelphia, the region's insurance industry is dominated by Cigna, one of the largest insurers in the US. The company is involved in a wide range of bustnesses, including property/casualty and life insurance, reinsurance, pension management, and financial services. Cigna is also heavily involved in the healthcare business, being one of the largest, and most profitable, providers of managed care services in the US as the operator of 48 HMOs (health maintenance organisations).

It is Cigna's property/casualty business, however, that has attracted most of the attention recently, and for all the wrong reasons. Since 1989, the company has lost \$1bn on its p/c business, primarily because of high asbestosis and environmental insurance claims and the generally "soft" pricing environment.

In an attempt to turn the business around, last year Cigna hired Gerald Isom, head of Transamerica Insurance, to clean up the p/c operation. Mr Isom quickly restructured the business, cut back the underwriting book, and reduced the pay-

With the help of a more favourable pricing climate, Cigna is expecting to see the first improvement in the p/c operation's bottom line this year. Given the "long-tail" nature of the insurance business, however, it is not likely to return to profitability for several more years.

The city's stock exchange is the largest currency options market in the world

No anxiety over competition from Paris

It may be the oldest equities trading forum in the US, dating all the way back to 1790, but the Philadelphia Stock gle currency options trade, Exchange today is better which consisted of 180,800 known for its thriving cur. French franc options with an rency options business than it underlying value of \$8.1bn. the trading of stocks, a The PHLX opened its curbusiness now thoroughly dominated in the US by the New York Stock Exchange and the Nasdag screen-based market.

Interrying vane of \$3.100.

The PHLX opened its curbusiness in 1982 with a similing option contract. Since then, it has added options on the Deutsche Mark,

nk McGe

That is not to say that the PHLX has abandoned equities: trading. It currently lists 2,200 stocks, and volume last year totalled Labor shares, averaging about 5m shares a day.

lobia does have a bigger share of the equities options market, where it comes in behind the Chicago Board Options Exchange and the American Stock Exchange in New York. The PHLX is noted for its index options. Its next. product will be an option on a Big Cap index, a basket of 50 large-capitalisation US stocks, nicknamed the "nifty fifty", which the PHLX hopes will grab the attention of investors.

Yet, if -you mention the the financial markets in the US and overseas, they will almost always think first of currency options. Having pioneered the product in the early 1980s, the PHLX is now the largest exchange-traded currency options market in the world:

Last year, a record 13.1m currency option contracts were traded on the exchange, keeping it well ahead of its main

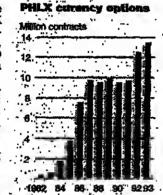
rival, the Chicago Mercantile Exchange. In 1992, the PHLX handled the world's largest sin-

rency options business in 1982 with a sterling option contract. the yen, the French and Swiss francs, the Canadian and Australian dollars, and European currency units (Ecus). It also trades options on three crossrates: D-Mark/yen, sterling/D-These totals, however, are Mark, and sterling/yen.

dwarfed by the big exchanges. The PHLX has become popular the NYSE scaled 66 Shu shares in because it's products appear last year, at an average of to fit the needs of corporate 26 m a day. The PHLX's share risk managers who wish to of all coulties trading in the US hedge their foreign exchange being the straint of the house its market is liq-being not just the NYSE and uid, and because the floor is the Nasdag but also the Pacific open for most of the day. In Stock Rachange in Sing Store, But, the PHIX trades currency cises and the Market Sinck options for all but three and a Exchange in Chicago. half hours of each working

Currency options contracts are most useful during periods of volatility on the foreign exchange markets, and so the turnoil among European curdsend for the PHLX. Companies and financial institutions, seeking to hedge their currency risk in the increasingly unpre-dictable forex markets, especially those facing exposure to the French franc, have been using the PHLX's currency options contracts. Its business from European customers has grown so much that last year the exchange moved its annual ember symposium from

It is from Paris, however, that the PHLX faces a potential threat to its dominance of the currency options market. Later this month, the Paris futures market (Matif), will launch two dollar options contracts on the





Nicholas Glordano is not wonted that its time zone will help the Matif

French franc and the D-Mark. The Matti hopes the contracts will win European, and particularly French, business back from Philadelphia. If the first two contracts are popular, the Paris exchange will consider

The PHLX, however, is untroubled by the prospect of another exchange trying to break into one of its biggest markets. Nicholas Giordano, PHLX chairman, says: "No, we're not worried. We have heen able to maintain a leadership position because we understand this market very well. We refine our products as they need refining. We respond to our customers. We provide liquidity, and we continue to educate. And the customers appreciate that, so I see no reason why anything will

But surely when the Matif's

currency options start trading, European institutions will choose to use the exchange on their doorstep, rather than one in the US? "First of all, I'm not sure what it is that is going to be on their doorstep," replies Mr Giordano. "There needs to be liquidity, there needs to be service, and an understanding by the people providing the ser-vice. Customers know they can get it here."

He is not even worrled that the time difference between Paris and Philadelphia will give the Matif a big natural advantage. "We're open in their time zone, at 1.30am. And it gets very active here at 3.30am, which is 9.30am Paris time. We've done that to facilitate our customers in Europe, and I think they appreciate that. I see no reason at all why The business | should shift. I don't know what added value is being brought to the table. I baven't seen it."

Industry experts agree that it will difficult for Paris to wrest business away from Philadelphia, because the PHLX has such a head start over the Matif in the currency options

Hal Hansen, president of Car-gill Investor Services in Chicago, says: "The Philadelphia Stock Exchange has for years developed and created a viable product and a very popular contract. I can understand why the Matif is aiming to compete for that business, but experience shows that it's very difficult to unseat an exchange, and take a product away, when it's been very well established over

time. There are loyalties, and confidence in market mechapisms, and established levels of liquidity, that customers are comfortable with, and have come to depend on. That is not to say that the Matif can't develop the same product, but it won't be an easy task, and at the very least it will take lot of time. Ultimately, of course, the customer will decide, based on where they're getting the best pricing and the best quality of

The Matif is not the only cloud in the PHLX's sky. As a small, successful, exchange, the PHLX is regularly discussed as a candidate for a merger with any one of its many rivals. This is based on the assumption that there are too many options exchanges in the US, and that consolidation is required if the industry is to prosper into the 20th century.



'Now for the nifty fifty'; the exchange's next product is expected to grab investors' attention

PHLX has received several merger offers, and rejected them all, most recently in December when it turned down a proposed \$68m merger with the Chicago Board Options Exchange.

Mr Giordano believes the PHLX is better off independent, and many of the exchange's members - who know that a

number of them out of a job agree. The PHLX chairman says: "It has proven to be very difficult to merge two exchanges, If you look around. you'll be hard-pressed to find that two viable exchanges have ever merged."

The latest offer from the CBOE was declined, says Mr Giordano, "because the mem-bership wanted to stay indemerger would leave a large pendent, and they felt that

value of the exchange. But I'm not sure there is a right price." Ultimately, he believes that it is in the best interests of the industry's customers that the dent, because competition between them has led to a better quality product and better

Patrick Harverson

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Frank McGurty explains why the region is a magnet for biotechnology

Low costs, ready resources

what the San Francisco Bay area is to compoter science. With its rich stock of trained scientists, plentiful sources of venture capital and a deep base of medical schools and research laboratories, the area is hothouse for budding life science companies

Over the past decade, more than 100 start-up biotech companies have sprouted and flourished in the region. Cephalon, located in suburban West Chester, is typical. Set up in 1987 by a research

team from DuPont, the company is engaged in developing new drugs to treat neuro-degenerative disorders. Initial capital came from local funds set up to help young biotech businesses get on their feet.

We really are in the centre of a diverse biotechnical community here," says Jason Rubin, vice president of corporate communi-

Dozens of established enterprises - big and small, foreign and domestic - have been bired to the region by the concentration of resources, the low cost of doing business and the attractive lifestyle it offers.

Last year, Camus Landanger, a tiny French medical devices supplier, set up shop in Newtown Square, about five miles southst of Philadelphia. It was no coincidence that Borron-Borneman, a leading French supplier of homeopathic medicines, had

decided to expand across town. The managerial pool is available. Taken together with the science, and the venture capital, we have all the ingredients for entrepreneurship," says Peter Sears, head of SR One, an investment arm of Smithkline Bee cham. His company is the fifth largest ven-ture capital fund serving Philadelphia. All told, there is nearly \$25m available for finan-

cing local biotech projects. The enterprising heart of the industry has just west of the city limits on US Route 202, where some 30 small research companies

more are scattered around the area. But a stalwart base of multinational plu

maceutical companies has powered the industry's growth engine as well. Merck, DuPont, Wyeth Labs, McNeil, SmithKline Beecham and Rhone-Poulenc Rorer all have strong presences in the area.

With so much activity, biotechnology and pharmaceuticals are the fastest growing sector of the regional economy. Their strength has helped offset a painful contraction in a manufacturing base which has lost 66,000 iohs since 1988

The story is not entirely positive. The

Managerial pool, science, venture capital... We have all the ingredients for entrepreneurship'

wave of restructuring sweeping US businesses has not spared the drag sector, which is bracing itself for lean times after national althcare reform is enacted later this year. in Philadelphia, however, the two-tier strucfure of the industry has softened the blow.

"in the pharmaceutical business, there has been a lot of down-string, and some of these people are very good managers and researchers. Many of them have been snapped up by the small companies," says

Indeed, the two sides enjoy a symbiotic relationship. The big companies offer a rich pool of talent from which startups can draw. The small biotechs, meanwhile, represent promising sources of new products for drug giants willing to enter into joint ventures

and marketing deals. The area's five medical schools and a chuich of research institutes, such as the Fox Chase Cancer Center, provide biotech companies with ready access to clinical testing

Despite its wealth of resources, Philadel phis would be less fertile ground for bio-techs without some careful muturing by

groups such as The Ben Franklin Pariner ship, a private, non-profit organisation funded by the state and federal govern-ments. "The mission of our organisation is to build economic competitiveness through technology and innovations," says Philip Singermann, head of the Ben Franklin Tech nology Center, which administers the programme in the area. One of the ways it does this is by helping

fledgling companies stay on aloft while they are in the early stages of developing viable

Often the lead time is lengthy. Symphony Pharmaceuticals, located in Malvern, Pennsylvania, needed five years to develop an innovative drug to protect the brain after injuries. The partnership has provided \$85,000 over two years to help the company over the hump.

The centre is also involved in assisting scientists to bring their research from the laboratory to the marketplace. Together with British Technology Group USA, a leading technology transfer organisation, it sponsors a consortium of universities, research institutions and venture capital firms known as the Start Technology Partnership.

Start's mission begins further upstream, by identifying a promising technology before the university which invented it signs up with a corporate sponsor. The idea is to add value to the innovation beforehand, through further refinements or by seeking wider applications. That allows the institution to ilise a better return on its work.

We try to push as much back to the technology source as possible, and build off the resources of the member organisation." says Andrew Neighbor, the director. "We are very much the hub of a big wheel."

Bell Atlantic eyes multimedia

The 53-storey, four-year-old Bell Atlantic Tower is a dominant feature of the Philadelphia skyline and a permanent reminder of the importance to the city of this innovative local telephone

Bell Atlantic is one of the seven "Baby Bells" - the regional phone companies spun off from American Telephone & Telegraph in 1984 under an antitrust court settlement.

It is the dominant telephone company in New Jersey, Pennsylvania Delaware, Maryland, West Virginia, Virginia and Washington DC. Not only is its headquarters, the Bell Atlantic Tower, in Philadelphia, but so too is the headquarters of its local telecommunications operating company for the state, called Bell Atlantic, Pennsylva-

The company has gained a renutation undar Raymond Smith, its chief executive since 1989, of being the most entre preneurial of the Rahy Rells

But radical change is sweeping through the US telecommunications industry as the boundaries which divide it from the cable television and computer. industries blur. This is eroding the local mooopolies as new rivals, such as cable companies. start providing telephone ser-

The change is also opening up huge new opportunities for the Baby Bells, which can play a leading role in the provision of inter-active multimedia - combining traditional telecommunications and television-based services - to the home and office. In addition, they should eventually be allowed to enter the long-distance telecommunica-

pleasant but innocuous

office complex, 20 miles

north-west of Philadel-

phia, has become a focal point

the hottest Issue on the

bealth maintenance organisa-

tions, set up in the late 1970s

with a small government grant,

the company has developed

many of the practices which

bave come to be known as

Building on early success, the

company has become the one of Philadelphia area's biggest

businesses, with annual reve-

nues of \$2.65bn. It operates in

eight states in the north-east.

hut Pennsylvania remains its

its system, explains Mr Costas

Nicolaides, chief financial offi-

cer, "the financing and delivery

of care is integrated"; as

opposed to the traditional

the insurer "simply pays bills".

reform his administration's top

What is managed care? Under

largest market by far.

managed care".

As one of the country's first

national political agenda.

tions market, an area from which they are barred under the AT&T break-up agreement.

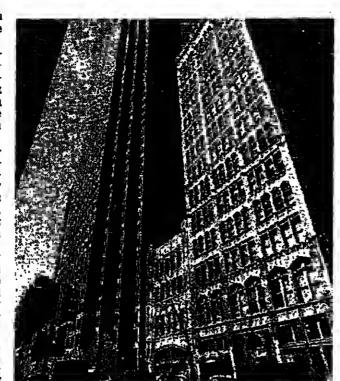
Bell Atlantic is at the forefront of this revolution though it suffered an embarrassing setback this year when it had to call off a merger with Tele-Communications Inc. the largest cable service provider in the US.

The deal collapsed in February, ostensibly because the Federal Communications Commission ordered the cable industry to make big cuts in the basic rates it charges consumers, which in turn upset the terms on which merger had been

However, other factors may have been involved, including a clash of culture between the racy, entrepreneurial TCI and Bell Atlantic, which, for all Mr Smith's changes, retains a some what conservative culture deep

The chief executive is a native of western Pennsylvania who joined the local AT&T operating company, then called Bell of Pennsylvania, in 1961. He became president of the company in 1983. When he became chief executive of Bell Atlantic six years later he moved quickly to cut costs, and the group is now the slimmest of the Baby Bells, ranked by number of employees relative to phone

Despite the collapse of the TCI deal Bell Atlantic will still be a major force in multimedia: hut, as Mr Smith said recently, it will now pursue a more flexible strategy on a "market by market, partner by partner basis". This suggests that it will take the company substantially



ent feature of the Philadelphia skyline

longer to build up a significant. presence outside its own operat-

pressing ahead with several important inter-active initiatives. In August it won e landmark court victory which has freed it to provide its own interactive video service down its phone lines, an area from which it was barred under 1984 cable television legislation.

It has been testing such a service in Northern Virginia, and in July will open a new digital production centre in Reston.

Virginia, where its interactive services will be created and packaged for delivery to con-

Its other initiatives in this area include: Joining with a small New Jersey company to blanket the New York area with an inter-active wireless television service to compete with cable TV; and teaming up with companies in two areas of New Jersey to deliver cable television programmes over modernised phone lines.

Although the company has no large-scale multimedia experiments under way in Pennsylvania, the state expects to get its fair share in future. Bell Atlantic expects to will spend \$50m on new plant in the region around Philadelphia this year, and intends to make ISDN - an intermediate technology which increases the capacity of an ordinary phone line - available throughout the area this year.

As for community activism, Tony diGioia, executive director for external affairs, Bell Atlantic, Pennsylvania, says the company's main thrust is in the areas of economic development and education.

Some \$3.5m of the subsidiary's \$5.7m state-wide contributions budget is committed to the Philadelphia area, with about \$1.5m of the total going on edu-cational projects. The company's activities include a programme to help reduce the school drop-out rate, by sending employees into schools to talk about career choices; and mentoring, under which staff members adout a school child and give him or her guidance. Bell Atlantic has also adopted two schools in the troubled innercity area, and tries to give them extra help.

As for economic development, it is a partner in a scheme which belps small busines across Pennsylvania identify problems and expand, and it has also been involved in the creation of a computer model which will identify what businesses can best be recruited for particular areas of the state.

Within Philadelphia itself, the company is one of 21 organisations involved in Strategy 21, a partnership working to improve the industrial competitiveness of the city in the 21st century.

York.

Sun emerges from the clouds

Philadelphia loves a comeback story. It is a spirit epitomised in the movies by Rocky Balboa, the washed-up palooka who made the most of his last big shot to be somebody.

in real life, there is no finer example than the impressive turnround by Sun Company, one of the stalwarts of Philadelphia's old industrial base. in 1991, the 108-year-old

energy group - the fourth biggest company in the region was a flabby under-achiever weighed down by e bloated portfolio of peripheral husinesses. Overall, its operations were producing a meagre 2 per cent return on equity.

Just two years later, the company is showing a return on equity of 10 per cent, having transformed itself into a lean contender with good prospects of sustained growth. They have identified where

they have the best chance to be profitable," says Mr George Baker, an analyst at Merrill Lynch in New York. "In doing so, they have gone a long way towards making the company a more focused enterprise.

Sum has gone a long way in setting itself apart from its rivals, too. More than any other hig energy group, it has emphasised a commitment to safe and sustainable environmental practices. It was the first Fortune 500 company to endorse the principles of the Coalition of Environmentally Responsible Economies, a non-profit organisation set up after the Exxon Valdez oil-spill to

promota green business On a smaller scale, Sun has

Not surprisingly, higher gross

income and lower cost added up

to a 50 per cent surge in 1993

net earnings to \$300m last year.

"One of the reasons US Health-

care has been so profitable is

they have such good control

over the product and pricing."

says Mr David Lothson, an ana-

lyst at Paine Webber in New

Senior US Healthcare execu

tives are clearly feeling a quiet

satisfaction over the growing

over healthcare started in ear-

nest last year, "there has been a

greater awareness of the kind

of things that count: quality,

ability. These are things that

US Healthcare began to recog-

cost-containment and account

Since the national debate

appeal of their approach.

put a human face on its corporate image with several innovative programmes, including an offer to buy and junk worn-out cars which are heavy polluters.

In a small step which may symbolise the fresh approach, its headquarters was brought hack to downtown Market Street after 23 years' exile in the suburb of Radnor. Nostalgia, however, had less to do with the relocation than did a desire to cut costs.

The move was part of a comprehensive streamlining implemented soon after Mr Robert Campbell took over as chairman and chief executive in 1992. Under the new regime, the company has shifted its focus back to its traditional strengths - refining and marketing in the north-east.

In its core operating region. Sun commands 14 per cent of the retail petrol trade, the eecond largest share behind Mobil Branded petrol accounts for 37 per cent of total sales, by far the company's most important revenue generator. Sun hopes to build on these strengths.

Concurrently, the group has withdrawn from the areas where it was taking a beating. It finally threw in the towel on most of its international exploration operations, after spinning off its US exploration and production in 1988.

"In drilling for oil and gas we had a horrible record admits Mr Robert Aiken, chief financial officer. The company is still involved international crude production. which remains profitable, Coal mining and real estate were deemed losing propositions,

ſn Sun's continuing operations, expenses were slashed and the workforce reduced by 28 per cent to 14,000.

So far, the results have exceeded Mr Campbell's goals. Sum posted operating profit of \$193m last year, against \$30m ayear earlier. The figure is well ahead of his target of achieving a \$150m improvement. Tha company was again able to tap operating income in paying its dividend, another of the chairman's ambitions.

Analysts are divided about some of the company's specific moves, and point out that its recovery is part of cyclical upturn by the industry as a whole. But most agree that the overall strategy is sound.

Sun wins plaudits for mise long ago," says Mr Nicosecuring long-term leases to operate filling stations along Frank McGurty the Pennsylvania turnpike. The company also gained exclusive rights to sell petrol along the New Jersey turnpike, perhaps the most travelled ighway in America. The high visibility of operating along such motorways carries henefits that exceed the revanues they diractly generate, analysts say.

Meanwhile, filling stations in the mid-west have been sold; underperforming outlets in the

Operating basis (%)

1983 85 87 89 91 93



jr.**: **

complete th

Branded petrol earns mos

north-east have been pared from its 3,000-strong network. A move to integrate its branded petrol offerings under a single banner - Sunoco - is also expected to pay off in higher margins, a critical factor in petrol retailing, where demand at best grows a scant I per cent a year.

The group also put a feather in its cap by agreeing to huy a Chevron refining plant located on property adjacent to its main Philadelphia facility. The hargain-basement price of \$170m made the deal an easy sell, even though the potential environmental remediation costs which Sun may face have yet to be quantified, says Mr John Hilton, an analyst at

Argus Research in New York.
"Such investments are usually just shots in the dark, says Mr James Murchie, who follows the industry for Sanford C.Berstein in New York. He argues that future demand and margins on refined products are nearly impossible to gauge, Refining, a costly neceseity for a marketer of petroleum products, continues to be a drag on Sun's bottom line, accounting for \$80m in

operating losses last year. Still, the Chevron acquisition was a sale bet, says Mr Murchie Indeed if the deal had been completed before this winter's deep freeze, which brought a ebarp increase in demand for heating oll, the investment would have already paid for itself.

Frank McGurty

US Healthcare cuts costs, retains quality tine "wellness" - how to help people stay healthy - as well as considered. US Realthcare says nity" rating, which combines schemes for the early detection its premiums are 20 to 30 per

in the great debate over the future of the American healthtive package is far from certain. But it is becoming apparent in Washington that many aspects The headquarters of US Healthcare, located in the leafy of the model championed by US suburh of Blue Bell, has been Healthcare will feature prominently in the bill that finally the incubator for many of the ideas which are likely to form emerges this autumn. the basis for healthcare reform.

"Most federal healthcare reform proposals emphasise going more toward managed care in order to build savings into the system more constitutionally than at present," says Mr David Simon, senior

As the largest and most innovative company in its field, US Healthcare has convinced many scentics that soaring US medical costs can be effectively contained without undermining the quality and availability of

n fact, it has shown that low costs and high-quality care are mutually-supporting goals when the traditional hands-off relationship between insurers and medical providers is abandoned. "Quality care in the end costs less for us and the customer," says Mr Simon.

indemnity systems, in which Prevention, it appears, is A plethora of proposals to worth much more than an reform the inefficient US ounce of cure. By placing healthcare system is now under emphasis on primary and preemptive care, US Healthcare consideration by Congress. President Clinton, in presenting has found ways of cutting hospital stays and expensive medihis beochmark plan, made cal procedures. It has pioneered programmes aimed at promo-

Its high-risk maternity programme is a good example. By offering pregnant women in certain categories early access to specialists, US Healthcare achieved a 50 per cent reduction in the use of neo-natal intensive-care services. By contrast, most traditional

health plans neither pay for preventive care, even in highrisk cases, nor control access to specialists. Patients are left to their own devices. The result is often unnecessary visits, which drive up premiums, or more expensive treatment after serious symptoms develop. That's bad medicine as well as bad

By making preventive and medical-management programmes its ballmark, US Healthcare held growth in its costs per member to 4 per cent last year, a full point lower than the rate at which the medical consumer price index

The company's operating economics are reflected in its price tag. A recent independent analysis showed that the company's coverage costs a family about half the amount charged by typical indemnity plans. when differences in benefits and total out-of-pocket expenditures are taken into account.

As with most HMOs, a fixed monthly payment entitles subscribers to unlimited treatment by a network of providers, with only nominal charges for each office visit. General practitioners are the gate-keepers to a team of specialists, all of whom work under contract with the company.

By contrast, most traditional indemnity plans require customers to pay "deductibles", or excess payments. Premiums are assessed on the basis of the individual's risk of falling ill. and sometimes coverage is denied. This practice is known as "experience rating".

They are smiling again at the Jolly Road, Blue Bell, head-

quarters of Unisys, the largest

high-technology company in

the Philadelphia region. After

years of beavy losses that

the risk of all subscribers and divides it equally among them. "It's a much more egalitarian system. But most importantly it prevents situations in which people who are sicker, or who get sick, have to pay more," Mr But low premiums are only

part of the equation. The comnany's medical costs as a percentage of income dropped to 68 per cent last year, from 75.1 per cent in 1992. Membership, meanwhile, jumped nearly 12 per cent to 1.67m, continuing a long string of double-digit increases from internal growth. rather than acquisitions. Total premium revenue was un 21 per

to adverse market trends.

The turnround began at the

end of 1991, when Unisys

recorded a modest fourth-quar-

ter profit. The company has

not looked back since. Over

has not come without human

costs. The workforce, which

numbered about 120,000 at the

time of the merger, has been

reduced to 49,000. Retirement

benefits have been slashed and

the company has closed sev-

The turnround at Unisys (\$)

7,742,500,000 8,421,900,000

8,696,100,000

10.111.300.000

0,096,900,000

How Unisys recovered the airline, health care, insurance, banking and phone com-

panies as areas where it can

offer specialised software and

It plans to offer similar software to banks, car rental agencies, hotels and insurance companies, enabling them to provide better service and to research their customers' buying habits. The new software could generate sales for Unisys of as much as \$1bn over five years, industry analysts pre-

In a bid to boost flagging sales of mainframe computers. Unisye has moved ahead of competitors in a transition to more cost-efficient semi-conductor chips built using the

same chip technology widely used in desktop computers Ironically. these chips will be manufactured, to Unisys' specifications, by its

1,393,300,000 -3.45-436,700,000 639,300,000 long-time rival Unlike traditional mainframes, Unisys new computer systems will not require elaborate water cooling systems. This will make them better

> As confidence in Unisys' future rises, the company has won several prominent orders. These include a \$1hn contract for an Amazon-region environmental surveillance system; a \$127m contract to computerise the largest savings bank in Russia; and other banking-au-

We see 1994 as a year of visible progress in differentiat-

In Philadelphia, this raises the hope of new jobs. Unisys is one of the largest employers in tha region, despite tha cutbacks of the past few years. The compeny currently employs about 4,300 in and around the city, down from 5,600 at the end of 1990.

Louise Kehoe

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Mary Me Youry

brought the computer manutwo years, its profits doubled facturer to the brink of disasto \$565.4m in 1993. Net debts ter, the company is making a had been reduced from a peak of almost \$4bn to \$1.1bn at the strong comeback. end of 1993. The return to profitability

Unisys was created in 1986 when Michael Blumenthal, then chairman of Burroughs. masterminded an audacious plan to form a giant computer company hy acquiring rival Sperry for \$4.8bn, combining two of the oldest companies in the computer industry under e

eral plants. Unisys now new name. appears, however, to be ahead At the time, Mr Blumenthal poasted that within a few years of competitors in streamlining

Unisys would achieve annual revenues of \$20bn and chal- Years lenge International Business Machines' dominant role in

the computer industry.
Instead, Unisys becama the first of the large US computer companies to suffer the effects of a market shift away from proprietary mainframe computers to net-

works of standard desktop Burdened with heavy debts from the Sperry acquisition and the high costs of maintain ing two incompatible product lines, Unisys plunged into heavy losses in 1989. To make matters worse, the company's defence business became embroiled in a Pentagon brib-

ery scandal. Over the three years 1989-1991, the company recorded total losses of almost \$2.5bn as it drastically restructured its operations, taking charges totaling \$1.6bn to cut its workforce and consolidate operations. Analysts were predicting the company's demise.

Defying the prophets of doom, however, Unisys, under the leadership of James Unruh, appointed to replace Mr Blumenthal as chairman and chief executive in 1990, has staged a recovery all the more remarkable because it comes as two of the company's largest competitors, IBM and Digital Equipment, are struggling to adjust

its cost structure and rationalising capacity, say analysts. "The turnaround is real. No management in the com-

puter business bas execoted better over the past two years," said Curt Rohrman, of First Boston, in a receot report on the company.

Revenues, however, are still declining. For 1993, the com-pany reported sales of \$7.7bn, down 23 per cent from a 1990 peak of \$10.1hn. Only about 10

to 15 per cent of Unisys' sales

are to new customers. To offset declining sales, Unisys is focusing increasingly upon the services side of the computer husiness, providing systems integration and consulting services to its customers. Analysts expect the company's service and consulting revenues to grow by 20 to 25 per cent over the next few

years from \$1.6bn in 1993. "We are not going to become a computerless computer company," Mr Unruh says, "but we are in the information management business, rather than the computer business. Our services and systems integration revenues grew by 19 per cent

world wide last year." The company has targeted

Net income 'EPS

565,400,000 261,200,000

suited to today's networked computer systems, in which computers are typically spread throughout the offices of a company or organisation.

tomation contracts in eastern Europe totaling \$400m.

ing Unisys in the marketplace," says Mr Unruh.

Best hope for replacing lost jobs

For many tourists, Philadelphia is just a sign on the motorway, a place to drive by on their way to New York, Washington or

Even though more than 10m people from outside the area visited the city last year, spending nearly \$500m, local officials have recognised that Philadelphia is falling well short of its potential as a holiday and busi-

The issue is not just a matter of civic pride. Mayor Edward Rendell wants to bring in more visitors, because the travel and leisure industry represents Philadel-phia's best hope of replacing some of an estimated 11,000 jobs lost every year as companies restructure or move els Since 1970, the city's employment base has contracted by 240,000.

To stem the tide, Mr Rendell has made courism the centre-piece of an ambitious economic stimulus programme unveiled earlier this year. In his 1994 budget pro-posal, he earmarked some \$420m for projects to lure more visitors to the city. He says he is committed to helping Philadelphia take "its place as one of America's remiere destination cities".

By necessity, tourism has to be one of the pillars of the city's economy," says Thomas Muldoon, head of the Philadelphia Convention & Visitors Bureau. "We have to figure out how to make people stay longer

There is nothing wrong with the basic product. Unlike Cleveland or Pittsburgh, it is not perceived as a grinay industrial town on the wane. Indeed, its downtown streets are lined with graceful 18th century townhouses and arresting post-modern office towers, forming a sprawling showcase of

American architecture. Unlike Detroit or Mlami, the city of brotherly love does not suffer from a image as a crime capital. Rather, it is perceived as a place of civility and charm, a modern urban centre still tightly bound to its

Yet its sports fans are notorious for their trascibility. Whenever its four professional

The city is confident that it will eventually attract half a million convention visitors a year

sports teams fall to measure up, the home crowd is sure to boo mercilessly. In baseball, the Phillies exemplified the city's scrappy sporting tradition, going from worst to first in their league last season.

As a centre of history, the city has always stood top of the table. It is bursting at the seams with landmarks. The Liberty Bell, the symbol of America's fledding democracy, and Independence Hall, where the Declaration of Independence was

form the core of "America's most historic

square mile".

Philadelphia is also home of the country's third largest art museum, the world's leading symphony orchestra in terms of record sales, and seven out of 50 of the best restaurants in the US, according to a recent

survey of Condé Naste Traveler's readers. In short, Philadelphia is one of the most interesting places on the east coast. So where has it gone wrong? "Philadelphia's basic problem is that it suffers from a lack of image," says Mr R.C. Staab, a senior tourism official. "People don't necessarily know why they should come here."

Mr Rendell intends to get the word out. The "capstone" of his strategy is already in place, with the opening last summer of the \$500m Philadelphia Convention Center, build with public and private funding. The econd phase of the complex, the restored Reading Terminal Train Shed, was completed this spring. The huge, hangar-like structure, which stands alongside the main convention hall, houses a grand ballroom and a bustling farmers' market. The centre itself, the second largest con-

vention hall on the east coast, is designed to serve two functions.

First, the city is confident it will become a magnet for conventioneers, eventually attracting some 500,000 visitors a year. The economic impact of this "critical mass" of



The capstone of the mayor's strategy is the \$500m Convention Center, opened last summer

sure industry, says Mr Staah. "Historically, an increase in meetings and conventions in

a city leads to an increase in tourism." Bookings are already running well ahead of projections. Mr Muldoon says the centre's early success in part reflects in its prime location two blocks from the elaborate Victorian city hall, the geographic and commercial centre of Philadelphia.

Therein lies the complex's second func-tion. "What this convention center becomes is a focal point for the city," Mr Muldoon says. "The key was to put it to the middle of the city," in contrast to New York's Jacob Javits Center, which is situated at the western fringe of Manhattan.

Blending warmly with the weathered brick and granite facades of central Philadelphia, the complex stands at the crossroads linking all the city's leading tourist sites, a "loop" of attractions which the mayor hopes to bind together in a package. To the east, lies the downtown historical

visitors will spill over into the entire letmuseums along the Benjamin Franklin

Parkway. A short walk to the south is the "Avenue of the Arts", where the city has emberked on a \$300m programme to create a performing arts complex along a mile-long stretch of South Broad street. The idea is to build on an existing base of cultural institutions along the corridor, including the celebrated liphia orchestra and the Pennsylva-

nia ballet. The scheme, to be financed by public and private money, involves the construction of new concert halls and theatres, and the renovation of others. Mr Rendell estimates the avenue, when completed, will double the number of visitors along Broad street

to 1.6n a year and create 1,600 jobs. But the plan has raised some controversy. Two of the city's leading philanthropists are opposing Mr Rendell's proposal to move the orchestra into a new \$140m concert hall its current home, the 137-year-old

Academy of Music, is to be used for opera and ballet performances after it is restored. Other aspects of the mayor's master plan have ruffled feathers as well, especially his method of financing the construction of at least 800 new hotel rooms. They are considered essential for the long-term success of the convention center, and ultimately the future of the city's tourism industry.

Mr Rendell has pledged \$90m in public funds for new hotels over the next five years, with the aim of attracting another \$100m in private financing. The extra space would complement the 1,200-room Philadelphia Marriott, the third phase of the con-

vention complex, due to open next year. The problem is that the mayor intends to pay for the hotels in part with money generated by riverboat gambling, which the state legislature is expected to approve this

Critics say the floating casinos would lead to more crime along the waterfront and, more important, besmirch the city's

image as "the cradle of democracy".

But city officials are steadfast in their defence of the proposal. With gaming restricted to riverboats, they argue, the social problems associated with Las Vegasstyle casinos would not develop. With a motorway separating the waterfront from the historic old city, the presence of floating casinos would not overwhelm the

eighbouring districts.
"We don't think it will detract from the character of the area," says Stephen Mullin, Philadelphia's director of commerce. "As a matter of fact, we think it will add a new dimension, bringing another exciting activity to the city.

Frank McGurty

To complete the Philadelphia story

KEY FACTS: A GUIDE FOR THE VISITOR

Airport: Philadelphia International Airport tel (215) 937-6800 8 miles south-west

A Septa (Southeastern Pennsylvania Transport Authority) rail line connects the airport with three Center City stations. The trip takes approximately 25 minutes and costs \$5. Airport shuttles and Imousines take 20-40 minutes to downtown, and fares start at \$8. Call ahead to make .

Airport Limelight Limousine (215) 342-5557, Deluce Transportation Company (215) 463-8787, Philadelphia Airport Stattle (215) 969-1818. A taxo ride to downtown will cost about \$20 excluding gratuities.

Airlines: Those serving Philadelphia include: American Airlines (800) 443-7300, British Airways (216) 492-2460.

Continental Airlines (215) 592-8005, Delta Airlines (215) 928-1700 and United Airlines

Car Hire: Alamo (215) 492-3960, Avis (215) 365-3600, Budget (215) 492-9442, Dollar (215) 365-2700 and Hertz (215)

Taxi Services: Cabs in Philadelphia tend to be more expensive than in many US cities. They can be found at designated taxi stops or hailed on the street. The main cab companies are Quaker City Cab (215) 728-8000, United Cab (215) 238-9500, and Yellow Cab. (215) 922-8400.

Rail: Philadelphia is served by Amtrak at 30th Street station (at Market Street), Suburben station at 16th street and JFK Boulevard and Market East station at 11th and Market streets (215) 824-1600. Septa's regional rait lines provide service to the culterlying areas of the . . . (215) 567-2822. Wydham .

city and the suburbs from the same three center city stations.

Banks: Corestates/PNB, Broad and Locust streets tel (215) 973-3512, First Fidelity, Broad and Walnut streets (215) 985-6000. PNC Bank, 100 South Broad Street (215)

Hotels: Four Seasons, 1 Logan

Square, 19103 tel (215) 963-1500, fax (215) 963-9506. Hilton and Towers, Broad Street at Locust, 19107 tel (215) 893-1600, fax (215) 893-1663. Hotel Atop The Bellevue, 1415 Chancellor Court, 19102 tel (215) 893-1776, fax (215) 893-9868. Omni Hotel at Independence Park, 4th and Chestnut streets, 19106 tel (215) 925-0000, fax (215) 925-1263. The Rittenhouse, 210 West Rittenhouse Square, 19103 tel (215) 546-9000, fax (215) 732-3364. The Ritz-Cariton, 17th and Chestnut Streets, 19103 tel (215) 563-1600, fex

Franklin Plaza, 2 Franklin Plaza, 19103 tel (215) 448-2000, fax

Restaurants: According to Condé Nast Traveler's 1994 Readers' Poll Restaurant Awards, seven of America's Top 50 restaurants, including the Number 1 restaurant in the country, are located in Philadelphia. Ranked first is Le Bec-Fin, offering classic French cuisine, located at 1523 Walnut Street tel (215) 567-1000. Also included on Condé Nast's list are: The Fountain, located in the Four Sessons Hotel and featuring American food (215)963-1500. La Truffe (French), 10 South Front Street (215) 925-5062. Deux Cheminees (French), 1221 Locust Street (215) 790-0200. Swann Lounge & Cafe (American), 1 Logan Square (215) 963-1500. Founders (French), 1415 Chancellor Court

563-1600. Other notable restaurants are Meji-En (Japanese), Pier 19,

and Chestnut Streets (215)

(215) 790-2814. Grill Room at

the Ritz Carlton (American), 17th



Philadelphia is home to the country's third largest art muse

North Delaware Avenue (215) 592-7100. Di Lullo Centro (Italian), 1407 Locust Street tel (215) 546-2000. Tequila's (Mexican), 1511 Locust Street (215) 546-0181. Bookbinders Seafood House, 215 South 15th Street tel (215) 545-1137. Russia House (Russian, Georgian & Ukranian), 614 South 2nd Street (215)

Shops: John Wanemaker (department store), 13th and Market Streets tel (215)

422-2000. Strawbridge and Clothier (department store), 8th and Market Streets (215) 629-6000. The Gallery (collection of shops). Market Street, between North 8th and North 11th Streets.

> Entertainment: Academy of Music (concerts), South Broad and Locust Streets tel (215) 893-1930. Annenberg Center (drama, music, dance), 3680 Welnut Street (between South 36th and South 37th Streets Walkways) (215) 898-6791.

Merriam Theatre (plays, dance, concerts), 250 South Broad Street (215) 732-5997. Veteran's Stadium (sports), South Broad Street and Pattison Avenue (215) 463-1000, 463-5500. Spectrum (sports), South Broad Street and Pattison Avenue (215) 336-3600.

Museums: Academy of Natural Sciences, North 19th and Race Streets tel (215) 299-1020. Franklin Institute, North 20th Street and the Parkway (215) 448-1200, Philadelphia Museum of Art, North 26th Street and the Parkway (215) 763-8100. Rodin Museum, North 22nd Street and the Parkway (215) 787-5431.

Also of interest: JFK Plaza Visitors Center, North 16th Street and JFK Boulevard tel (215) 636-1666. Independence National Park, bounded by Walnut and Arch Streets and 2nd and 6th Streets (includes Independence Hall, Old City Hall, Congress Hall, Philosophical Hall and the Liberty Bell). United States Mint, 5th and Arch Streets, Society

Hill, bounded by Walnut and Lombard Streets and south 2nd and south 5th Streets. Historical Society of Pennsylvania, 1300 Locust Street.

Newspapers: Philadelphia Inquirer (morning daily). Philadelphia Daily News (afternoon daily, except

Useful information: American Express, 2 Penn Center Plaza tel (215) 587-2300. Philadelphia Chamber of Commerce (215) 332-3400. Philadelphia Stock Exchange, 1900 Market Street 215) 567-8925. Septa Information (215) 574-7800. Time (215) 846-1212. Weather (215) 936-1212.

Emergency services: AAA Keystone Automobile Club tel (215) 569-4321. Alcoholics Anonymous (215) 574-6900. Dental Emergency (215) 925-6050, Medical Emergency (215) 563-5343. Poison Control Center (215) 386-2100. Suicide Hotline (800) 827-7571.

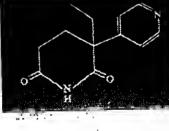
Rivka Nachoma

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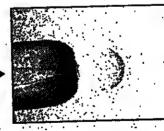


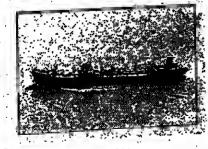
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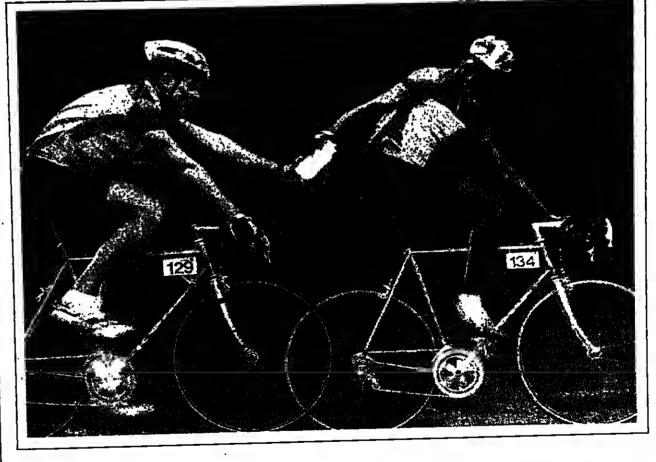
BRITISH TECHNOLOGY GROUP

Creating the products of tomorrow

- BTG USA has negotiated licenses to critica BTG's patented Factor (X
- licensed to McDownell Douglas through Keva lanevation Company Inc. FLG USA is marketing a matrificend software system developed by the Compbell lastitute for Research & Technology.

For further information on how BTG can help your business through licensing in new technology or commercializing your own innovations, please contact:

British Technology Group USA Inc. 2200 Renaissance Boulevard, Gulph Mills, PA 19406 Tel: (610) 278-1660 Fax: (610) 278-1605



In The Face Of Global Competition, The Right Teammate Makes All The Difference In The World.

The people at CoreStates know all about competing on a global scale. After all, we're the ones who sponsor the CoreStates US PRO Cycling Championship, one of the toughest one-day races in international cycling.

Year after year, this thrilling team event inspires us to perform better for our clients and customers. From Philadelphia to Hong Kong, from New York to Tokyo, we're reminded to support one

another, to reach a little higher and do all the little things that make a winning difference. We bring this inspiration to

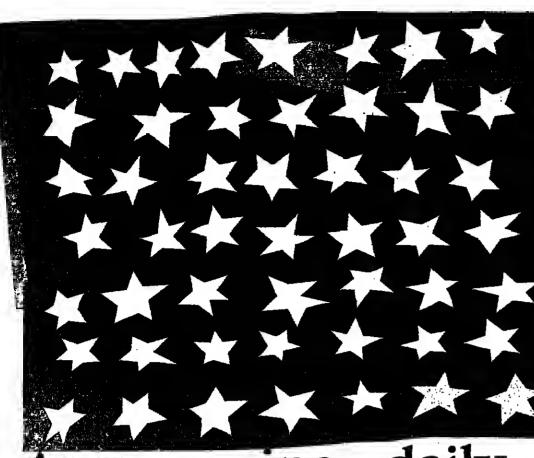
our relationships with over 1,200 correspondent banks, every branch office overseas and thousands of international companies with whom we do business every day.

The analogy between our international bike race and the way we approach global banking is an easy one to draw. But there is one difference that spurs us on to greater determination in everything we do. And that's the understanding that in international business there is never a finish line. Which is why we strive for nothing less than a long-term relationship with every client and customer.



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